

LOCAL AGENCY FORMATION COMMISSION ORANGE COUNTY

12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
(714) 834-2556 ♦ FAX (714) 834-2643

REGULAR MEETING AGENDA

Wednesday, May 10, 2006, 9:00 a.m.
Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza, Santa Ana, CA

Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.

1. CALL THE MEETING TO ORDER

2. PLEDGE OF ALLEGIANCE – BY COMMISSIONER SILVA

3. ROLL CALL

4. APPROVAL OF MINUTES:

a.) April 12, 2006 – Regular Commission Meeting

5. PUBLIC COMMENT

This is an opportunity for members of the public to address the Commission on items not on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.

6. CONSENT CALENDAR

a.) Quarterly Budget Update

The Commission will receive a quarterly budget update.

b.) Improvement District No. 1 (IRWD ID 253) Annexation to the Orange County Sanitation District (DA 06-09)

The Commission will consider the annexation of approximately 13,237 acres of territory, comprised of Santiago County Water District Improvement District No. 1, to the Orange County Sanitation District, which will enable the area's wastewater to be treated using Irvine Ranch Water District's capacity in OCSD's facilities under existing agreements between the two districts.

c.) Talega Annexation No. 31 to the City of San Clemente (CA 05-04)

The Commission will consider the annexation of 6.165 acres of uninhabited, unincorporated County territory to the City of San Clemente.

d.) Talega Annexation No. 36 to the City of San Clemente (CA 05-09)

The Commission will consider the annexation of 12.44 acres of uninhabited, unincorporated County territory to the City of San Clemente.

e.) Talega Annexation No. 38 to the City of San Clemente (CA 05-11)

The Commission will consider the annexation of 11.28 acres of uninhabited, unincorporated County territory to the City of San Clemente.

f.) Talega Annexation No. 39 to the City of San Clemente (CA 05-12)

The Commission will consider the annexation of 96.52 acres of uninhabited, unincorporated County territory to the City of San Clemente.

7. PUBLIC HEARING

a.) Municipal Service Review and Sphere of Influence Update for the City of Yorba Linda (MSR 06-21 & SOI 06-22) and Yorba Linda Water District (MSR 06-23 & SOI 06-24)

The Commission will consider municipal service review and sphere of influence review report for the City of Yorba Linda and Yorba Linda Water District. The Commission will also consider the Notices of Exemption and Negative Declaration prepared for these municipal service reviews and sphere of influence reviews in compliance with the California Environmental Quality Act.

b.) Adoption of Final LAFCO Budget for Fiscal Year 2006-2007

The Commission will consider the adoption of the final LAFCO operations budget for Fiscal Year 2006-2007.

8. COMMISSION DISCUSSION

a.) LAFCO 2006 Calendar Revision

The Commission will consider the cancellation of its June 2006 meeting, which is scheduled to convene June 7.

9. COMMISSIONER COMMENTS

This is an opportunity for commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.

10. INFORMATIONAL ITEMS & ANNOUNCEMENTS

None

11. CLOSED SESSION

None

12. ADJOURNMENT

NOTICE: *State law requires that a participant in a LAFCO proceeding who has a financial interest in a decision and who has made a campaign contribution of more than \$250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the hearing.*

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DRAFT MINUTES

LAFCO REGULAR MEETING

Wednesday, April 12, 2006, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration
10 Civic Center Plaza, Santa Ana, CA

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Chair Robert Bouer called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:01 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Arlene Schafer led the pledge of allegiance.

3. ROLL CALL

The following commissioners and alternates were present:

- **Commissioner Robert Bouer**
- **Commissioner Bill Campbell**
- **Commissioner Peter Herzog**
- **Commissioner Arlene Schafer**
- **Commissioner John Withers**
- **Alternate Commissioner Rhonda McCune**

The following LAFCO staff members were present:

- Legal Counsel Clark Alsop
- Executive Officer Joyce Crosthwaite
- Assistant Executive Officer Bob Aldrich
- Project Manager Kim Koeppen
- Project Manager Carolyn Emery
- Communications Analyst Danielle Ball
- Administrative Assistant Daphne Charles

4. APPROVAL OF MINUTES

a.) March 8, 2006 – Regular Commission Meeting

MOTION: Approve minutes from March 8, 2006 as presented and without revision (John Withers)

SECOND: Arlene Schafer

FOR: Robert Bouer, Bill Campbell, Peter Herzog, Rhonda McCune, Arlene Schafer, John Withers

AGAINST: None

ABSTAIN: None

MOTION PASSED

5. PUBLIC COMMENT

Chair Bouer requested public comments on any non-agenda item. Receiving no comments, he closed the public comment agenda item.

6. CONSENT CALENDAR

None

7. PUBLIC HEARING

a.) Irvine Ranch Water District/Santiago County Water District
Reorganization (RO 06-04)

b.) Adoption of Proposed LAFCO Budget for Fiscal Year 2006-2007

**7a. Irvine Ranch Water District/Santiago County Water District
Reorganization (RO 06-04)**

Commissioner Withers explained that, while he could legally participate in the public hearing for item “7a,” he decided to recuse himself from the proceedings since he is a member of Irvine Ranch Water District’s Board of Directors. He left the hearing room.

Project Manager Koeppen presented the staff report for the Irvine Ranch Water District/Santiago County Water District Reorganization (RO 06-04), a proposal to consolidate the Irvine Ranch Water District (IRWD) and Santiago County Water District (SCWD) and name IRWD the single successor agency. She indicated that the proposal additionally called for the creation of improvement districts for water and sewer and amendment of the Orange County Sanitation District’s sphere of influence.

Ms. Koeppen explained that the consolidation proposal was the successful result of LAFCO's staff Municipal Service Review (MSR) Program. She explained that both districts had adopted resolutions in support of the proposal and jointly developed mutually beneficial terms for the consolidation agreement. She added that benefits of the district consolidation include reduced operational and administrative expenses, as well as an immediate 20 percent rate reduction to SCWD customers upon consolidation.

Commissioner Campbell reiterated that the consolidation discussions were an outgrowth of LAFCO's MSR Program. He applauded both districts' Boards of Directors for promoting the ratepayers' best interests.

Chair Bouer opened the public hearing.

Darryl Miller, an IRWD Board member, listed additional consolidation benefits, including a more reliable and diverse water supply, improved emergency response, and employee integration and cross-training. He explained that IRWD would employ a management advisory committee consisting of SCWD's existing Board of Directors to ensure that SCWD's customers and specific canyon issues receive adequate representation after the consolidation. He thanked Executive Officer Crosthwaite and Project Manager Koeppen for their stewardship and support.

Jim Carter, President of SCWD's Board of Directors, said that negotiations between the two districts, which took place over two years, resulted in fair and equitable terms to the consolidation. He explained that SCWD utilized an advisory board comprised of 40 SCWD customers during consolidation discussions, which voted unanimously in support of consolidation with IRWD by the close of its third meeting. He, too, thanked LAFCO staff.

Commissioner Herzog stated that SCWD's Board of Directors demonstrated tremendous leadership to its constituency in advocating the community's best interests over their own personal interests.

Receiving no additional comments, **Chair Bouer** closed the public hearing.

MOTION:	Approve staff recommendations for the IRWD/SCWD Reorganization (RO 06-04), including approval of the district consolidation and related sphere of influence amendments (Bill Campbell)
SECOND:	Peter Herzog
FOR:	Robert Bouer, Bill Campbell, Peter Herzog, Rhonda McCune, Arlene Schafer
AGAINST:	None

ABSTAIN: John Withers
MOTION PASSED

Commissioner Schafer extended her congratulations to LAFCO staff and the two districts, adding that the consolidation was a fine example of how good government should work.

Commissioner Withers reentered the Commission meeting.

7b. Adoption of Proposed LAFCO Budget for Fiscal Year 2006-2007

Assistant Executive Officer Aldrich presented the proposed LAFCO budget for Fiscal Year (FY) 2006-2007. He explained that the proposed budget was consistent with the three-year budget adopted by the Commission in 2005.

Mr. Aldrich explained that 96 percent of the Commission's revenues are derived from its funding agencies, as LAFCO is most often the project "applicant" (e.g., municipal service reviews and sphere of influence updates), which precludes staff from charging project fees. He also said that the cities and special districts had developed their own formulas for dividing the LAFCO funding allocations amongst the agencies. He indicated that the 2006-2007 funding allocation weighed disproportionately on two special districts and said that staff would work with ISDOC to make the allocations more equitable.

Responding to a question posed by **Commissioner Schafer**, Mr. Aldrich assured the Commission that its adoption of the proposed budget would not preclude staff from resolving the funding inequities with the special districts.

Chair Bouer opened the public hearing on agenda item "7b." Receiving no response, he closed the public hearing without any comments from the public.

MOTION: Adopt the LAFCO draft budget for FY 2006-2007 and related staff recommendations (Peter Herzog)
SECOND: Bill Campbell
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Rhonda McCune, Arlene Schafer, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8. COMMISSION DISCUSSION

a.) Sullivan Annexation to the Orange County Sanitation District (DA 05-16)

b.) Regional Housing Needs Assessment (RHNA) Allocation Discussion

8a. Sullivan Annexation to the Orange County Sanitation District (DA 05-16)

Project Manager Koeppen presented the staff report for the Sullivan Annexation to the Orange County Sanitation District (DA 05-16). She explained that the annexation proposal originally included eight property owners in the unincorporated community of Orange Park Acres and that all but one of the property owners required out-of-area agreements (OAAs) with the City of Orange prior to annexation to the Orange County Sanitation District (OCSD). She stated that long delays caused staff to modify the original annexation application to apply only to the two property owners immediately ready for annexation to OCSD.

Ms. Koeppen went on to explain the difficulties associated with OAAs, highlighting a letter submitted by the City of Orange. She stated that, with the Commission's permission, staff would facilitate discussions between OCSD and the City of Orange, as well as assemble an advisory committee related to county sewer conversion. She added that recommendations to that effect were included in the staff report.

Commissioner McCune commented regarding the benefits of a blanket annexation of Orange Park Acres (OPA) over piece-meal annexations by individual property owners. Ms. Koeppen stated that OCSD was developing a blanket annexation application for OPA.

Commissioner Campbell acknowledged **Commissioner McCune's** comments. He said, as OPA's Board of Supervisor's representative, he understood the residents' concerns. He said he was happy to have LAFCO staff involved in finding a solution.

Commissioner Herzog asked the status of general out-of-area agreements for OPA. Ms. Koeppen responded that staff had received three prototype OAAs from the City of Orange, which were under review by legal counsel. She explained that, due to the complicated nature of sewer connections in the community, the City of Orange felt it necessary to have more than one option to choose from when working with the affected residents and OCSD regarding sewer service provision.

Jim Burror, Senior Engineer from OCSD, indicated that the district supports a blanket annexation and has included the entire area in its Master Plan for sewer service. He said that the district was waiting for the completion of an environmental review.

Executive Officer Crosthwaite asked Mr. Burror if OCSD had adopted its updated Master Plan for sewer service. He indicated that it had not yet done so. When asked if OCSD would initiate the blanket annexation, Mr. Burror answered that it would.

MOTION: Approve the Sullivan Annexation to OCSD (DA 05-16) subject to the terms and conditions outlined in the staff report (Peter Herzog)
SECOND: Rhonda McCune
FOR: Robert Bouer, Bill Campbell, Peter Herzog, Rhonda McCune, Arlene Schafer, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

8b. Regional Housing Needs Assessment (RHNA) Allocation Discussion

Executive Officer Crosthwaite explained that Tim Neely, Director of Planning & Development Services for the County's Resources & Development Management Department, was unavailable to discuss issues associated with the State's Regional Housing Needs Assessment (RHNA) program and sent someone in his stead. She introduced John Douglas, a County consultant, who provided the Commission reference materials and an overview of how the RHNA program operates in Orange County and throughout the state. At the conclusion of his presentation, he answered questions posed by the Commission.

Commissioner Withers asked if most jurisdictions were in compliance with the RHNA program. Mr. Douglas responded that, while most have done an affordable housing inventory, there is typically a shortage of land relative to need.

Commissioner McCune commented that many older, built-out cities already have low-income housing and sometimes consider the assignment of additional housing units inequitable. Mr. Douglas concurred, adding that the issue has been at the center of many lawsuits throughout the state.

Executive Officer Crosthwaite explained that there is no automatic adjustment of RHNA allocations between the County and a given city when unincorporated territory is annexed. She indicated that the Commission once had a policy that made annexations contingent upon a negotiated RHNA transfer agreement between the city and County but found that the policy curtailed many city annexation efforts and rescinded it.

9. COMMISSIONER COMMENTS

Chair Bouer opened the floor for comments.

Commissioner Herzog verified the Commission's June meeting date as June 7, 2006.

Receiving no additional comments, **Chair Bouer** closed commissioner comments.

10. INFORMATIONAL ITEMS & ANNOUNCEMENTS

None

11. CLOSED SESSION

None

12. ADJOURNMENT

Chair Bouer adjourned the meeting at 10:02 a.m.

* * * * *

JOYCE CROSTHWAITE

Executive Officer

Orange County Local Agency Formation Commission

By: _____

Danielle M. Ball

Communications Analyst/Commission Clerk



CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
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City of Lake Forest

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JAMES W. SILVA
Supervisor
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ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

May 10, 2006

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Third Quarter Budget Report

Attached is a budget report for the first ten months (July through April) of Fiscal Year 2005-2006. Budget updates are provided to the Commission to allow tracking of agency costs and revenues throughout the fiscal year.

For the first six months of FY 2005-2006, overall revenues are at approximately 103% of the projected budget for the year. Revenues are up due to the new LAFCO fee schedule as well as the submittal of unanticipated projects.

Overall expenses are at 69% of the budget; the targeted level is approximately 75%. However, several individual line items exceed targeted levels. The first, "Meeting Expenses", which includes conference costs, is 84% expended. Since costs for the CALAFCO conference and other associated training have been generally expended, this line item will remain relatively static for the remainder the year. For example, in the previous quarterly budget report, this line item was at 82%.

The second line item which exceeds the targeted level is "Public Noticing" which is now at 198% of the projected budget amount. This is partially the result of costs associated with the preparation of MSRs and sphere of influence updates initiated by LAFCO. Some public noticing costs, associated with specific projects submitted to LAFCO, are now charged to applicants under the new fee schedule.

"Postage and Delivery" costs are at 92% of targeted levels; these costs have remained static since staff began making all staff reports available to outside persons and agencies through our agency website.

The fourth item which exceeds the targeted level is "Legal/Professional Services" which is at 88% of the targeted level. The costs are associated with the Tonner Hills annexation to the City of Brea. Finally the Rent/Maintenance line item is at 92% and is due to repairs to the LAFCO offices.

The next budget update is scheduled for August of 2006 and will be the end of the fiscal year report.

STAFF RECOMMENDATION

Staff recommends that the Commission:

- 1) Receive and file the May 10, 2006 budget report.

Respectfully submitted,

JOYCE CROSTHWAITE



May 10, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

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Representative of
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TOM WILSON
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Director
Irvine Ranch Water District

ALTERNATE
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Representative of
General Public

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JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Project Manager

SUBJECT: Proposed "ID-1 (IRWD ID-253) Annexation to the Orange County Sanitation District" (DA 06-09)

APPLICANT

Irvine Ranch Water District and Santiago County Water District, by similar Resolutions of Application with a Resolution of Concurrence from the Orange County Sanitation District and with property owner consent.

PROPOSAL

The application requests LAFCO to consider the annexation of approximately 13,237 acres of uninhabited territory to the Orange County Sanitation District. The subject area encompasses the boundaries of the Santiago County Water District Improvement District -1 (SCWD ID -1). Annexation of area to the Orange County Sanitation District will allow for wastewater from the area to be treated using IRWD's capacity in OCSD's facilities under existing agreements between the two districts.

INFORMATION

The proposed annexation area is part of the territory included in the consolidation of the Irvine Ranch Water District (IRWD) and the Santiago County Water District (SCWD) approved by the Commission on April 12, 2006 which is effective July 1, 2006. On July 1, 2006, SCWD ID-1 will become IRWD ID 153 (water)/253 (sewer) under the terms of the district consolidation.

The sphere of influence for OCSD was amended in April, 2006 to include the SCWD ID-1 (IRWD ID-253) territory in anticipation of the subject annexation request. The proposed action will make the OCSD service area boundary consistent with its sphere of influence in this area. Additionally, in December, 2005 a 105-acre portion of the SCWD ID-1 was detached from SCWD territory and annexed to IRWD and OCSD under the East Orange Planning Area 1 Reorganization RO 04-16. This subject

proposal includes annexation of the remaining portions of the improvement district territory.

LOCATION

The proposed annexation area is generally located in the vicinity of Irvine Lake and Santiago Canyon Road, extending north to the Orange County/Riverside County boundary and east to include portion of unincorporated Silverado, Modjeska, Santiago, Black Star and Baker canyon areas of Orange County. Please see the attached location map (Attachment A).

LAND USE

The subject territory includes existing open space land uses and the proposed East Orange Lake Village residential and recreation development use areas. Existing surrounding land use is open space and sparsely populated canyon area residential development.

ENVIRONMENTAL REVIEW

As lead agency for the annexation, on March 27, 2006, the IRWD Board adopted a resolution authorizing an application for annexation of Improvement District No. 1 of the Santiago County Water District and approving an addendum to the County Sanitation District No. 14 Environmental Impact Report (EIR) to facilitate the annexation. Addendum No. 1 to the final EIR for the formation of County Sanitation District No. 14 and proposed reorganization of District No. 79 involving reorganization of County Sanitation Districts No. 7 and 13. The addendum concluded that none of the conditions requiring the preparation of a subsequent EIR have occurred. There are no new significant environmental effects that weren't already addressed in the District No. 14 EIR and no substantial increases in the severity of previously identified significant effects that require preparation of a subsequent EIR. In addition, no "new information of substantial importance" meeting the criteria of CEQA guidelines section 15162 (a) (3) has surfaced that would require preparation of a subsequent EIR. (A copy of the final EIR is available in the LAFCO office for the Commission's review.)

PROPERTY TAX

No property tax exchange will occur as a result of this proposal pursuant to the Master Property Tax Agreement adopted by the Board of Supervisors for enterprise district reorganization proposals.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Certify that it has reviewed and considered the information contained in the Final EIR for the County Sanitation District No. 14 as well as Addendum No. 1

to the final EIR prepared by the Irvine Ranch Water District as the lead agency (Attachment B).

2. Adopt the resolution approving the ID-1 (*IRWD ID-253*) Annexation to the Orange County Sanitation District" (DA 06-09) attached as Attachment C. LAFCO waives conducting authority proceedings pursuant to Government Code Section 56663. Approval is subject to the following terms and conditions:
 - a) Payment of Recorder and State Board of Equalizations fees.
 - b) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any actions relating to or arising out of such approval.
 - c) Recordation of the annexation is subject to receipt of a certified map and legal description.
 - d) Assuming certification of the map and legal description for the subject annexation, the effective date shall be the July 1, 2006.


Respectfully submitted,

JOYCE CROSTHWAITE


KIM KOEPPEN

Attachments: A. Location Map
 B. Addendum to EIR
 C. Draft LAFCO Resolution


Proposed Annexation to the Orange County Sanitation District




105 ACRE DEVELOPMENT AREA DETACHED FROM
SCWD AND ANNEXED TO IRWD AND OCSD BY
12/14/05 LAFCO ACTION (ID 153/253 FORMATION)

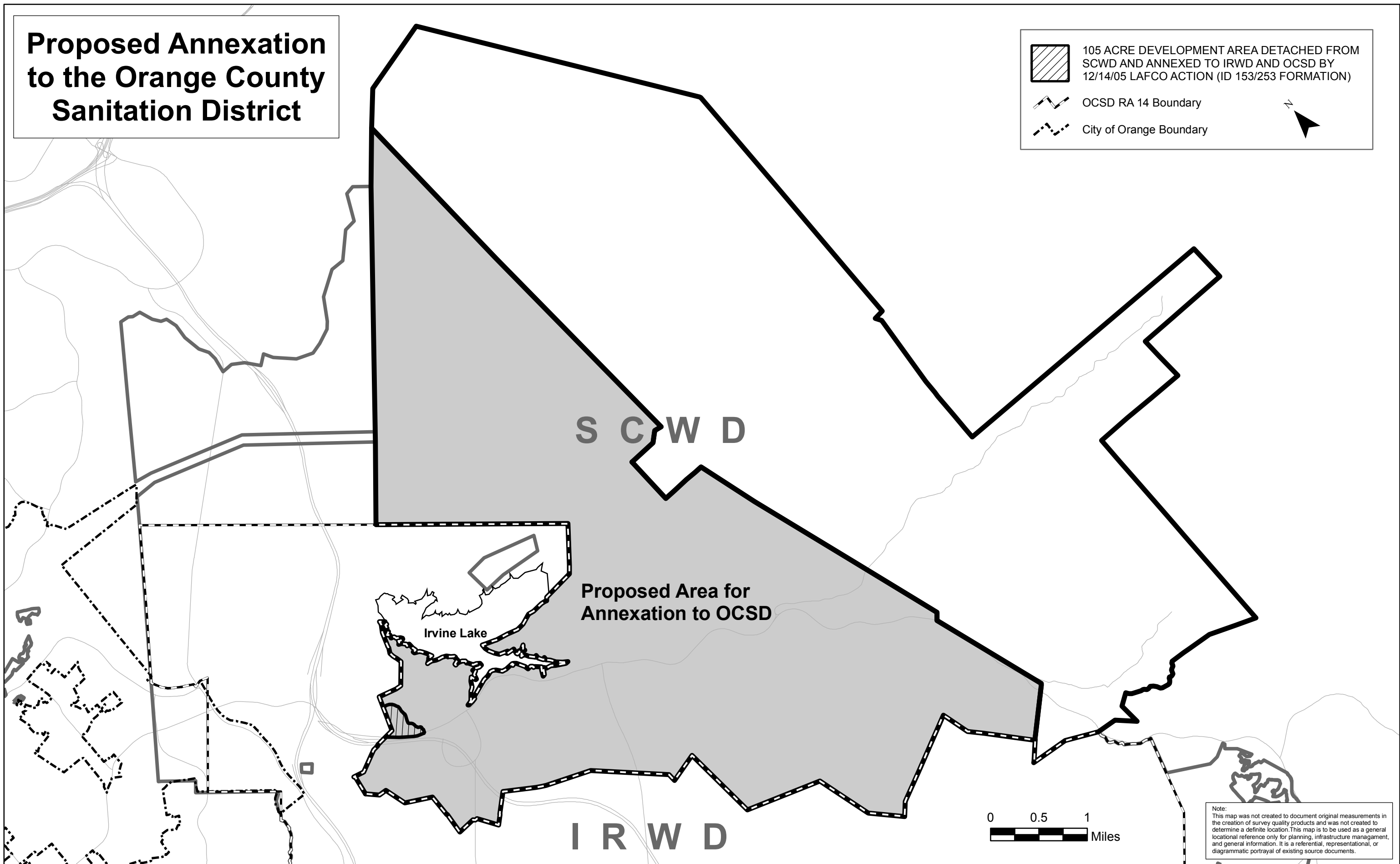


OCSD RA 14 Boundary



City of Orange Boundary





Note:
This map was not created to document original measurements in the creation of survey quality products and was not created to determine a definite location. This map is to be used as a general locational reference only for planning, infrastructure management, and general information. It is a referential, representational, or diagrammatic portrayal of existing source documents.

**ADDENDUM NO. 1 TO THE FINAL
ENVIRONMENTAL IMPACT REPORT
FOR FORMATION OF SANITATION
DISTRICT NO. 14 AND PROPOSED
REORGANIZATION NO. 79 INVOLVING
REORGANIZATION OF COUNTY
SANITATION DISTRICTS NOS. 7 AND 13**

Submitted to:

Orange County Sanitation District
10844 Ellis Avenue
P.O. Box 8127
Fountain Valley, California 92728
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Prepared by:

Irvine Ranch Water District
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March 2006

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1.0 INTRODUCTION

1.1 BACKGROUND

The Orange County Sanitation District (OCWD) and Irvine Ranch Water District (IRWD) have prepared this Addendum No. 1 to the Environmental Impact Report (EIR) for Formation of County Sanitation District No. 14 and Proposed Reorganization No. 79 Involving Reorganization of County Sanitation Districts Nos. 7 and 13 pursuant to the California Environmental Quality Act (CEQA) and the CEQA Guidelines. This Addendum addresses annexation of Improvement District No. 1 of the Santiago County Water District into Revenue Area No. 14 of the Orange County Sanitation District.

1.2 PROJECT OVERVIEW

The 1985 Final Environmental Impact Report for Formation of County Sanitation District No. 14 and Proposed Reorganization No. 79 Involving Reorganization of County Sanitation Districts Nos. 7 and 13 (EIR) addressed the formation of a new sanitation district to allow the IRWD master plan area to be served by the regional facilities of OCSD and to allow portions of existing sanitation districts Nos. 7 and 13 to be served more efficiently through sharing of new and existing trunk sewer capacity in newly formed sanitation district.

Reorganization No. 79 included the following actions:

1. Inclusion of approximately 59,000 acres of area within IRWD in OCSD as District No. 14 (now called Revenue Area No. 14).
2. Minor changes in the existing District No. 7 service area.
3. Minor changes in the District No. 13 service area.
4. Establishment of a sphere of influence for District No. 14 to include a part of the unincorporated portion of the County of Orange currently within the IRWD sphere of influence and a portion of SCWD known as SCWD Improvement District No.1 (ID No. 1).
5. Allowing sewer pipe installations to occur anticipating all future flows from the areas to be served, including the sphere of influence, to avoid future reconstructions of the sewerage pipes in the street within the area.

Projected wastewater flows from the proposed District No. 14 were estimated in the EIR to be 32.0 mgd during November through March and 17.0 mgd during the rest of the year. The seasonal difference in flows was attributed to the increased reclaimed water demand during the drier months. An additional 4.9 mgd was estimated in the EIR for the ID No. 1 proposed sphere of influence area.

A portion of ID No. 1 comprising 105 acres (now designated Improvement District No. 253 of IRWD) was previously annexed to OCSD and IRWD. This Addendum No.1 evaluates the proposed annexation of the remaining portion of ID No. 1 to OCSD identified in the original EIR. Estimated average wastewater flows from the original RA No. 14 area are now estimated to be 7.26 mgd at build out in 2025. Daily average flows during the low reclaimed water demand months are estimated

to be 11.94 mgd. This does not include 3.69 mgd from the Irvine Business Complex and other areas of IRWD that flow directly to OCSD but are not metered at the Main Street Pumping Station. Wastewater flows from the previously annexed 105-acre portion of ID No. 1 are also estimated to average 0.08 mgd year round. Wastewater flows from the area to be annexed under this Addendum No.1 (ID No. 1) are estimated to average 0.38 mgd. The sum of wastewater flows from the current District No. 14 area, the recently annexed portion of ID No.1, and the proposed annexation area of ID No. 1 will range seasonally from 7.72 mgd to 12.40 mgd on an average daily basis. These total combined flow estimates for the annexation area and the current District No. 14 service area are considerably lower than the flow estimates in the EIR. These lower flow estimates are the result of less intense development in the District No. 14 and ID No. 1 areas and increased water reclamation by IRWD.

1.3 PREVIOUS ENVIRONMENTAL DOCUMENTATION

The following environmental documents have been prepared in support of the annexation of ID No. 1 to OCSD.

Final Environmental Impact Report (1985)

The 1985 Final EIR (FEIR) examined the impacts of the project, which included the formation of a new sanitation district to allow the IRWD master plan area to be served by the regional facilities of OCSD and to allow portions of existing sanitation districts Nos. 7 and 13 to be served more efficiently through sharing of new and existing trunk sewer capacity in newly formed sanitation district

1.4 PURPOSE OF ADDENDUM 1

The 1985 Final Environmental Impact Report for Formation of County Sanitation District No. 14 and Proposed Reorganization No. 79 Involving Reorganization of County Sanitation Districts Nos. 7 and 13 (EIR) addressed the formation of a new sanitation district to allow the IRWD master plan area to be served by the regional facilities of OCSD and to allow portions of existing sanitation districts Nos. 7 and 13 to be served more efficiently through sharing of new and existing trunk sewer capacity in newly formed sanitation district.

The OCSD and IRWD are proposing to annex additional lands to OCSD that were identified in the 1985 FEIR to be within the OCSD sphere of influence. This requires the preparation of Addendum 1 to the 1985 FEIR. The Lead Agency for Addendum 1 will be IRWD, and OCSD will be the Responsible Agency, as defined by CEQA. Although additional lands are proposed to be annexed to OCSD, the total flow tributary to OCSD projected in the FEIR is substantially reduced.

When a proposed project is changed or there are changes in the environmental setting, a determination must be made by the Lead Agency as to whether an Addendum or Subsequent EIR is prepared. Criteria, as set forth in CEQA Guidelines Section 15162, are used to assess which environmental document is appropriate. The criteria for determining whether an Addendum or Subsequent EIR is prepared are outlined below. If the criteria below are true, then an Addendum is the appropriate document:

-
- No new significant impacts will result from the project or from new mitigation measures.
 - No substantial changes have occurred with respect to the circumstances under which the project was originally proposed and the FEIR was certified; therefore it will not require major revisions to the FEIR since no new significant environmental effects and no substantial increase in the severity of previously identified impacts will occur.
 - No substantial increase in the severity of environmental impact will occur.
 - No new feasible alternatives or mitigation measures that would reduce impacts previously found not to be feasible have, in fact, been found to be feasible.

Section 15164 of the State CEQA Guidelines states that an Addendum to an EIR or Negative Declaration shall be prepared “if some changes or additions are necessary, but none of the conditions described in Section 15162 calling for preparation of a subsequent EIR have occurred.” This Addendum reviews the changes proposed by the project and any changes to the existing conditions that have occurred since the FEIR was certified. It also reviews any new information of substantial importance that was not known and could not have been known with exercise of reasonable diligence at the time that the FEIR was certified. It further examines whether, as a result of any changes or any new information, a subsequent EIR may be required. This examination includes an analysis of the provisions of Section 21166 of CEQA and Section 15162 of the State CEQA Guidelines and their applicability to the proposed project. IRWD reviewed information regarding the annexation under consideration and determined that none of the conditions requiring preparation of a subsequent or supplemental EIR applied. Based upon the information provided in Sections 2.0 and 3.0 of this document, the proposed modifications will not result in new significant impacts or substantially increase the severity of impacts previously identified in the FEIR, and there are no previously infeasible alternatives or mitigation measures that are now feasible. Therefore, an Addendum is appropriate, and Addendum No. 1 has been prepared to address the environmental effects of the refinements to the project.

1.5 CONCLUSIONS

Addendum No. 1 addresses the environmental effects associated only with the proposed annexation. The conclusions of the analysis in this Addendum are not substantially different from those made in the FEIR. The same unavoidable significant impacts identified in the FEIR remain. No new significant impacts will result and no substantial increase in severity of impacts will result from those previously identified in the FEIR. This is confirmed by the City of Orange SEIR for the Santiago Hills II and East Orange Planned Communities (SCH #1988110905).

2.0 Description of Modifications to the Project

2.1 MODIFICATION TO THE PROJECT

The following discussion describes the annexation and how it modifies the project in greater detail. Figure 1 depict the area to be annexed, and Table 1 indicates estimated flow projections.

2.1.1 Background

The Orange County Sanitation District (OCSD) and Irvine Ranch Water District (IRWD) have prepared this Addendum No. 1 to the Environmental Impact Report (EIR) prepared for the project designated “Formation of County Sanitation District No. 14 and Proposed Reorganization No. 79 Involving Reorganization of County Sanitation Districts Nos. 7 and 13,” pursuant to the California Environmental Quality Act (CEQA) and the CEQA Guidelines. This Addendum addresses annexation of the remaining portion of Improvement District No. 253 of IRWD (formerly, Improvement District No. 1 of the Santiago County Water District (SCWD)) into Revenue Area No. 14 of the Orange County Sanitation District.

2.1.2 Project Overview

The EIR addressed the formation of a new sanitation district to allow the IRWD master plan area to be served by the regional facilities of OCSD and to allow portions of existing sanitation districts Nos. 7 and 13 to be served more efficiently through sharing of new and existing trunk sewer capacity in newly formed sanitation district.

Reorganization No. 79 included the following actions:

1. Inclusion of approximately 59,000 acres of area within IRWD in OCSD as District No. 14 (now called Revenue Area No. 14).
2. Minor changes in the existing District No. 7 service area.
3. Minor changes in the District No. 13 service area.
4. Establishment of a sphere of influence for District No. 14 to include a part of the unincorporated portion of the County of Orange currently within the IRWD sphere of influence and a portion of SCWD known as SCWD Improvement District No.1 (ID No. 1).
5. Allowing sewer pipe installations to occur anticipating all future flows from the areas to be served, including the sphere of influence, to avoid future reconstructions of the sewerage pipes in the street within the area.

Projected wastewater flows from the proposed District No. 14 were estimated in the EIR to be 32.0 mgd during November through March and 17.0 mgd during the rest of the year. The seasonal difference in flows was attributed to the increased reclaimed water demand during the drier months. An additional 4.9 mgd was estimated in the EIR for the ID No. 1 proposed sphere of influence area.

A portion of ID No. 1 comprising 105 acres (now designated Improvement District No. 253 of IRWD) was previously annexed to OCSD and IRWD. This Addendum No.1 evaluates the proposed completion of the annexation of ID No. 1 to OCSD as envisioned in the original EIR. Estimated average wastewater flows from the original RA No. 14 area are now estimated to be 7.26 mgd at build out in 2025. Daily average flows during the low reclaimed water demand months are estimated to be 11.94 mgd. Wastewater flows from the previously annexed 105-acre portion of ID No. 1 are estimated to average 0.08 mgd year round. Wastewater flows from the remaining portion of ID No. 1 are estimated to average 0.38 mgd. The sum of wastewater flows from the original District No. 14 area, the recently annexed portion of ID No.1 and the proposed annexation area of ID No. 1 thus

ranges seasonally from 7.72 mgd to 12.40 mgd . These total combined flow estimates for the annexation area and the original District No. 14 service area are considerably lower than the flow estimates in the EIR for the original service area of District No. 14 alone, and none of the additional flow amounts originally contemplated for the annexation of the ID No. 1 area will be generated. These lower flow estimates are the result of less intense development in the District No. 14 and ID No. 1 areas and increased water reclamation by IRWD.

Table 1
FLOW PROJECTIONS (mgd)

FEIR Projections			Current District 14 Projections					
	District 14		MWRP Area	HATS Area	ID Annexation Area	Remainder of ID 1	Sludge and Carriage Water from MWRP	Totals
Average Annual	32		0	8.95	0.08	0.38	2.56	11.97
Seasonal Peak*			4.56	8.95	0.08	0.38	2.1	16.07
Peak Hour(1)	NA		7.43	13.82	0.18	0.76	NA	

*Due to seasonal variations in reclaimed water production at MWRP.

3.0 ENVIRONMENTAL EFFECTS OF MODIFICATIONS TO THE PROJECT

This section identifies any environmental impacts that may differ from the impacts originally identified in the 1985 FEIR. There have been no substantial changes to the regulations and the circumstances under which the proposed project is being undertaken. Planning horizons and dwelling unit densities have been modified (i.e., reduced) since certification of the FEIR in 1985. These developments reflect the type and intensity of uses identified in the City's General Plan and do not represent a substantial change to the environmental baseline condition. Additionally, there has been no substantial change in the regulatory environment identified in the FEIR since its certification.

As discussed below, the modifications to the project will not result in substantial new impacts or new mitigation measures due to the considerable reduction in projected flows. An Initial Study Checklist has been prepared and is included as Appendix A. The IS concludes that No Impact will occur as a result of the modifications to the project.

Schedule

IRWD expects to complete the administrative record regarding the annexation (including the following discretionary actions: CEQA actions, LAFCO approval, SCWD approval, OCWD approval, and OCSD approval) by April 30, 2006.

4.0 EXISTING ENVIRONMENTAL SETTING

This section corresponds to the same section in the 1985 FEIR, which describes the whole of the project in detail. As summarized in Chapter 1.0, Sections 1.2 and 1.4, the proposed action would not result in changes to the physical environment beyond those already analyzed in the 1985 FEIR. As depicted on (HOO LIHAN MAP REF HERE), the proposed annexation is an action taken to most effectively serve the remaining portion of Improvement District No. 1. This addendum completes the originating analysis in the FEIR. As envisioned, ID 1 was to be included within the proposed sphere of influence of District No. 14, in order to receive service using both IRWD's Michelson Water Reclamation Plant and capacity in OCSD's regional treatment facilities. This optimizes reclaimed water service by IRWD in a manner consistent with IRWD's current provision of service throughout District No. 14.

While no changes to the physical environment would be necessary to complete the proposed annexation, the previous environmental documentation did describe the facilities that would be

serving the anticipated flows. Because those flow projections have been considerably reduced, no new facilities would be proposed beyond those currently serving the project area.

5.0 EFFECTS OF MODIFICATIONS TO THE PROJECT

The annexation provides an administrative mechanism to efficiently and effectively serve the remaining un-annexed area in ID No. 1. Because flows from RA 14 will be considerably reduced from those envisioned and analyzed in the 1985 FEIR, including those from ID 1, any environmental effects would also be reduced, eliminating any potential significant effect. Based on this conclusion and on the Initial Study Checklist, this Addendum's discussion of the effects of the proposed annexation upon the previously evaluated project is focused on the impacts analyzed in the 1985 FEIR. (Accordingly, the sections below correspond to *Operational Impacts and Mitigation Measures* in the 1985 FEIR. It should be noted that minor numeration errors occurred in the original document. Numeration of the sections below adhere to a corrected sequence.)

5.1 Projected Wastewater Flows and Line Capacity

The EIR evaluated a pipeline capacity of 45 mgd based upon District No. 14's anticipated flow of 32 mgd, uncertainties, standard engineering practices for OCSD trunk sewers, the conclusion that a larger diameter will result in no greater magnitude of impacts except for a slightly larger excavation, and the larger diameter's preclusion of the additional construction impacts of future parallel pipelines. The District No. 14 flow with the annexation will be well below the 32 mgd estimated in the EIR, and therefore, the annexation will have no effect upon pipeline capacity.

5.2 Waste Discharge Requirements

The EIR evaluated the impact of the District No. 14 formation upon OCSD's NPDES discharge requirements, which at that time were based upon a 301(h) modified NPDES permit, precluding the need to meet federal secondary treatment requirements for ocean discharge. The EIR concluded that if permit modifications were approved, District No. 14's requirement to be responsible for its regular share of the costs of treatment and disposal as a member of the joint works system or, if necessary, limitations upon flows, would assure compliance with such permit. Currently, OCSD is implementing full secondary treatment. District No. 14 remains subject to the same cost-sharing requirements as originally contemplated.

As stated above, the substantial reduction in flows from the combined District No. 14 service area and annexation area are below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area). This would result in a corresponding reduction in waste discharge from that evaluated in the EIR. This reduction, coupled with the reduced environmental impacts as a result of full secondary treatment, results in the annexation having a lesser impact than was evaluated in the EIR.

5.3 Solids and Sludge Handling

Consistent with current practice and with the 1985 FEIR, IRWD is not a solids and sludge handling agency, but conveys sludge removed during the wastewater reclamation treatment to OCSD for final disposal. The action to annex the remaining portion of ID 1 does not affect, and is not affected by, the current method of solids and sludge handling and disposal. It is not anticipated that total conveyed solids and sludge would significantly increase as a result of the annexation.

5.4 Ocean Outfall

The EIR concluded that because of IRWD's EPA-approved industrial source control program implemented in coordination with OCSD, and the NPDES permit requirements which continue to govern OCSD, including District No. 14, the formation of District No. 14 would not be expected to have a significant impact on the OCSD outfalls. Upon annexation, the annexation area would become subject to such requirements.

As stated above, the substantial reduction in flows from the combined District No. 14 service area and annexation area are below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area). This would result in a corresponding reduction upon OCSD's ocean outfall requirements.

5.5 Summary of Operational Impacts

The EIR examined the impacts of adding the District No. 14 flows to OCSD's projected flows, upon operational impacts such as energy use, chemical use, transportation requirements, air pollutant emissions and residue disposal. These were evaluated at a District No. 14 flow of 15 mgd, increasing to 32 mgd. Reduced development intensity generally for RA 14, and specifically for the remaining portion of ID 1, would result in a substantially reduced percentage of the operational requirements identified in the 1985 FEIR.

As stated above, the substantial reduction in flows from the combined District No. 14 service area and annexation area are below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area). This would result in a corresponding reduction in the EIR's projected operational impacts.

5.6 Operational Mitigation Measures

The primary mitigation to address operational issues, such as odor control, energy generation, industrial source control, landscaping, vehicle access, energy conservation, are the financial projections and instruments identified in the 1985 FEIR. In addition, the EIR concluded that water conservation enforced by IRWD would augment those mitigation measures. Those projections, funding mechanisms, and infrastructural investment have been in place over the duration since the 1985 FEIR. Stringent water conservation measures and practices have become more sophisticated and effective since those that were implemented on a voluntary basis in 1985. No changes would occur as a result of the annexation.

The 1985 FEIR addressed the capital construction, replacement, and operation and maintenance costs based on future projections for formation of District 14 (RA 14). No new analysis is warranted by the annexation action. It is presumed that present-day costs have been reduced as a result of the substantially reduced District No. 14 flow projections described above. However, the Orange County Sanitation District recognizes that emergency events may occur on a temporary basis requiring short term higher than anticipated flows.,

5.7 Michelson Water Reclamation Plant Operations

MWRP is an 18 mgd rated water reclamation plant. Increasing demand for reclaimed water within the IRWD will necessitate the expansion of MWRP. Under a separate CEQA document (Michelson Water Reclamation Plant Phase 2 and 3 Capacity Expansion Project Environmental Impact Report) that expansion has been analyzed for impacts. The annexation will not adversely affect the optimization of reclamation at MWRP, because the annexed area will be included in both District No. 14 and IRWD, thereby expanding the area that can be served by both the MWRP and OCSD plants.

The combination of increasing reclaimed water demands, expanded MWRP, and reduction in ultimate flow projections in RA 14 will result in the most efficient method for wastewater treatment and disposal options. The annexation action would not affect, or be affected by, MWRP operations.

5.8 Sand Canyon Reservoir (Reclaimed Water Storage Reservoirs)

The EIR concluded that the formation of District No. 14 would have a beneficial effect in terms of the reduced potential for winter releases of reclaimed water from Sand Canyon Reservoir, by providing IRWD with a means of winter excess wastewater disposal to the OCSD joint works facilities. In addition to the implementation of the District No. 14 formation and the connection to the joint works, since the time of the certification of the EIR IRWD has converted the San Joaquin Reservoir to reclaimed water storage, thereby increasing its seasonal storage capacity. IRWD owns and operates three reclaimed water storage reservoirs: Sand Canyon Reservoir, Rattlesnake Reservoir, and San Joaquin Reservoir. Efficient use of reclaimed water remains a high priority for IRWD. IRWD's augmented storage and subsequent reuse of reclaimed water limits releases into the watershed and downstream resources such as the Upper Newport Bay. The annexation action would not affect, or be affected by, the continued use of these reservoirs.

6.0 Construction Impacts and Mitigation Measures—Treatment Plant Sites

The agreement between County Sanitation Districts of Orange County (hereafter OCSD) and IRWD signed on March 13, 1985 for the formation of District 14 states that a planned flow of 32 mgd will be accepted by OCSD for treatment and disposal. This was the projected flow expected to be the average annual IRWD flow in the year 2030 or thereafter. To the extent that the revised projected reduction in flows reduce the need for new and upgraded facilities, it can reasonably be concluded that construction impacts would correspondingly be reduced.

6.1 Capital Improvements Required for Proposed Flows

Construction of facilities necessary to serve the project have either been constructed or are under consideration for construction as described and analyzed in the 1985 FEIR. Modifications to the project presume that revised projections for reductions in flow correspond to, and will result in, reduced construction impacts for those facilities yet to be constructed.

6.2 JWTF Capital Improvements Needed to Accommodate District 14 Flows

Formation of District 14 and purchase of treatment capacity for handling up to 32 mgd of wastewater flow diverted from the Michelson Water Reclamation Plant to OCSD necessitated changes to the facilities existing at the time of the original agreement. The original agreement established terms of a planned 15 mgd flow through a year 2000 horizon. Present flows to OCSD average approximately 14 mgd. A subsequent and revised document and the 1999 Orange County Sanitation Districts Strategic Plan established and analyzed the capacity needs as originally envisioned in the 1985 FEIR, and impacts associated with the expansion of existing facilities owned and operated by OCSD. Consequently, no new or non-analyzed impacts are associated with the proposed action, changes in service, or terms of agreement between agencies.

7.0 Construction Impacts and Mitigation Measures—Baker Street Force Main Route

Section 7.0 has been eliminated from further study or analysis. The Baker Street Force Main has been constructed and is not affected by the annexation action. Since the flows from RA 14 are less than originally anticipated, no reconstruction would be required.

8.0 Financial Implications

The 1985 FEIR addressed the capital construction, replacement, and operation and maintenance costs based on future projections for formation of District 14 (RA 14). No new analysis is warranted by the annexation action. It is presumed that present-day costs have been substantially reduced as a result of the reduced flow projections described above.

9.0 Secondary Impact Evaluation

Section 9.0 of the 1985 FEIR primarily addressed the issue of population growth and its relationship to infrastructure needs. Long range development plans for the westerly half of SCWD are based largely upon plans developed by the Irvine Company. This 13,500-acre region is anticipated to contain an ultimate residential population of 41,400 (16,805 dwelling units), as well as a variety of commercial uses (Table 9-3, 1985 FEIR). Current projections for the area estimate approximately 1350 dwelling units and a population of 4,000.

Cumulative Secondary Effect of the Proposed Reorganization

The reorganization and formation of RA 14 did not result in new growth. IRWD does not have jurisdictional authority over development and population growth decisions. The substantial reduction in projected growth in the ID 1 area is a result of decisions made by the local jurisdictions having such authority.

10.0 Alternatives to the Proposed Project

No alternatives previously deemed infeasible will become feasible, due to the substantial reduction in flows from the combined District No. 14 service area and annexation area below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area).

11.0 Irreversible and Irretrievable Commitment of Energy Supplies and Other Resources Should the Project be Implemented

No commitment of energy supplies or other resources will be worsened as a result of the annexation, and some of such impacts will potentially be lessened, due to the substantial reduction in flows from the combined District No. 14 service area and annexation area below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area).

12.0 Relationship Between Local Short-Term Uses of the Environment and the Maintenance and Enhancement of Long-Term Productivity

No relationship between short-term uses and long-term productivity will be worsened as a result of the annexation, and some of such impacts will potentially be lessened, due to the substantial reduction in flows from the combined District No. 14 service area and annexation area below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area).

13.0 Unavoidable Adverse Impacts

No unavoidable adverse impact will be worsened as a result of the annexation, and some of such impacts will potentially be lessened, due to the substantial reduction in flows from the combined District No. 14 service area and annexation area below the flow estimates evaluated in the EIR for the District No. 14 service area alone (without the annexation area).

APPENDIX A - INITIAL STUDY CHECKLIST

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
I. AESTHETICS -- Would the project:				
a) Have a substantial adverse effect on a scenic vista?				x
b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?				x
c) Substantially degrade the existing visual character or quality of the site and its surroundings?				x
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?				x
II. AGRICULTURE RESOURCES: In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:				
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?				x
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?				x
c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?				x
III. AIR QUALITY -- Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:				
a) Conflict with or obstruct implementation of the applicable air quality plan?				x
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?				x

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?				x
d) Expose sensitive receptors to substantial pollutant concentrations?				x
e) Create objectionable odors affecting a substantial number of people?				x
IV. BIOLOGICAL RESOURCES -- Would the project:				
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?				x
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, and regulations or by the California Department of Fish and Game or US Fish and Wildlife Service?				x
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?				x
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?				x
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?				x
f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?				x
V. CULTURAL RESOURCES -- Would the project:				
a) Cause a substantial adverse change in the significance of a historical resource as defined in Sec.15064.5?				x
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to Sec.1506				x

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?				x
d) Disturb any human remains, including those interred outside of formal cemeteries?				x
VI. GEOLOGY AND SOILS -- Would the project:				
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				x
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.				x
ii) Strong seismic ground shaking?				x
iii) Seismic-related ground failure, including liquefaction?				x
iv) Landslides?				x
b) Result in substantial soil erosion or the loss of topsoil?				x
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?				x
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?				x
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?				x
VII. HAZARDS AND HAZARDOUS MATERIALS Would the project:				
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?				x
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?				x
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste				x

within one-quarter mile of an existing or proposed school?				
	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?				x
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?				x
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?				x
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?				x
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?				x
VIII. HYDROLOGY AND WATER QUALITY -- Would the project:				
a) Violate any water quality standards or waste discharge requirements?				x
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?				x
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?				x
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?				x

	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff?				x
f) Otherwise substantially degrade water quality?				x
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?				x
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?				x
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?				x
j) Inundation by seiche, tsunami, or mudflow?				x
IX. LAND USE AND PLANNING - Would the project:				
a) Physically divide an established community?				x
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?				x
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?				x
X. MINERAL RESOURCES -- Would the project:				
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?				x
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?				x

XI. NOISE Would the project result in:				
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?				x
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?				x
	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?				x
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?				x
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?				x
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?				x
XII. POPULATION AND HOUSING -- Would the project:				
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?				x
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?				x
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?				x
XIII. PUBLIC SERVICES				
a) Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for				

new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:				
Fire protection?				x
Police protection?				x
Schools?				x
Parks?				x
Other public facilities?				x
XIV. RECREATION --				
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?				x
	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?				x
XV. TRANSPORTATION/TRAFFIC -- Would the project:				
a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?				x
b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways?				x
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?				x
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?				x
e) Result in inadequate emergency access?				x
f) Result in inadequate parking capacity?				x
g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)?				x
XVI: UTILITIES AND SERVICE SYSTEMS--				

a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?				x
b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				x
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				x
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?				x
	Potentially Significant Impact	Less Than Significant with Mitigation Incorporation	Less Than Significant Impact	No Impact
e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project projected demand in addition to the provider existing commitments?				x
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?				x
g) Comply with federal, state, and local statutes and regulations related to solid waste?				x
XVII. MANDATORY FINDINGS OF SIGNIFICANCE --				x
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?				x
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a				x
				x

project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?				
c) Does the project have environmental effects that will cause substantial adverse effects on human beings, either directly or indirectly?				x

DA 06-09

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING
IMPROVEMENT DISTRICT NO. 1 (IRWD ID-253) TO THE
ORANGE COUNTY SANITATION DISTRICT**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the proposed annexation to the Orange County Sanitation District, designated as "Improvement District No. 1 (IRWD ID-253) to the Orange County Sanitation District" (DA 06-09), was heretofore filed with and accepted for filing on May 3, 2006 by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set May 10, 2006 as the hearing date of this proposal; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission on May 10, 2006, considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, information satisfactory to this Commission has been presented that all the

ATTACHMENT C

owners of land within the proposed territory have given their written consent to the annexation;
and

WHEREAS, this Commission has fulfilled its obligations as a responsible agency as defined by the California Environmental Quality Act and has reviewed and considered the Environmental Impact Report (EIR) for County Sanitation District No. 14, as well as Addendum No. 1 to the final EIR for the formation of County Sanitation District No. 14 and proposed reorganization of District No. 79 involving reorganization of County Sanitation Districts No. 7 and 13, both adopted by the Irvine Ranch Water District, and has made findings pursuant to Section 15096 of the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange based on the findings, discussion and conclusions set forth in the Executive Officer's report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. Pursuant to Section 15096 of the State CEQA Guidelines, the Commission has considered the EIR for County Sanitation District No. 14, as well as Addendum No. 1 to the final EIR for the formation of County Sanitation District No. 14 and proposed reorganization of District No. 79 involving reorganization of County Sanitation Districts No. 7 and 13, both adopted by the Irvine Ranch Water District, and finds as follows:

- a) There are no new significant environmental effects that were not already addressed in the District 14 EIR, and no substantial increases in the severity of previously identified significant effects that require preparation of a subsequent EIR.
- b) In addition, no "new information of substantial importance" meeting the criteria of CEQA guidelines section 15162(a)(3) and 15164 has surfaced that would require preparation of a subsequent EIR.

Section 2. The proposal is approved subject to the following terms and conditions:

- a) Payment of Recorder and State Board of Equalizations fees.
- b) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or

ATTACHMENT C

proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any actions relating to or arising out of such approval.

- c) Recordation of the annexation is subject to receipt of a certified map and legal description.
- d) Assuming certification of the map and legal description for the subject annexation, the effective date shall be the July 1, 2006.

Section 3. The annexing area is found to be uninhabited, is within the County of Orange, and is assigned the following distinctive short-form designation: "Improvement District No. 1 (IRWD ID-253) to the Orange County Sanitation District" (DA 06-09).

Section 4. The Commission authorizes conducting authority proceedings be waived in accordance with Government Code Section 56663(c).

Section 5. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution as provided in Section 56882 of the Government Code.

AYES: _____

NOES: _____

STATE OF CALIFORNIA)
) SS.

COUNTY OF ORANGE)

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of May, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May, 2006.

ROBERT BOUER
Chair of the Orange County

ATTACHMENT C

Local Agency Formation Commission

By: _____
Robert Bouer

DRAFT



May 10, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
General Public

TOM WILSON
Supervisor
Fifth District

JOHN WITHERS
Director
Irvine Ranch Water District

ALTERNATE
PATSY MARSHALL
Councilmember
City of Buena Park

ALTERNATE
RHONDA MCCUNE
Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Project Manager

SUBJECT: Proposed "Talega Annexation No. 31 to the City of San Clemente"
(CA 05-04)

APPLICANT

Talega Associates, LLC, by landowner petition.

PROPOSAL DESCRIPTION

Proposed with 100% consent of the property owners is annexation of approximately 6.165 acres of uninhabited, unincorporated territory to the City of San Clemente. This proposal is the fifth annexation of the Talega Batch No. 3 annexations, and thirty-fifth overall of the Talega Valley Development annexations to the City of San Clemente. The proposal site is planned for two residential units. The entire Talega Valley Development encompasses approximately 3,510 acres, with approximately 1,880 acres located within the City of San Clemente and approximately 127 acres in unincorporated County territory within the City's sphere of influence.

LOCATION

The annexation territory is generally located east of the City, north of Avenida Pico, and west of the Foothill Transportation Corridor South CP-Alignment. (See attached vicinity map.)

LAND USE

The City and County General Plans designate the proposal site as Low Density Residential. Adjacent and surrounding land uses include similarly planned residential developments of Talega Valley.

PROPERTY TAX

Property tax resolutions have been adopted by the City and County in accordance with their Master Property Tax Exchange Agreement, with the County receiving 51% of property tax revenues and the City receiving 49%.

ENVIRONMENTAL REVIEW

The City of San Clemente prepared and adopted EIR 84-02 for adoption of the Talega Valley Specific Plan, and prepared and adopted a 1999 Addendum to EIR 84-02, for annexation of the Talega Valley Development and formation of the Joint Planning Authority, pursuant to the California Environmental Quality Act. The Addendum finds that: (1) there have not been substantial changes in the project that require major revisions to the previous EIR; (2) there have not been substantial changes with respect to the circumstances under which the project is undertaken; and (3) there is no new information of substantial environmental significance. The Commission previously considered EIR 84-02, Addendum to EIR 84-02, and findings made by the City of San Clemente for EIR 84-02 on July 14, 1999 at its hearing on “Talega Annexation No. 1 to the City of San Clemente” (CA 98-12).

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA)

The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County’s RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Make findings pursuant to State CEQA Guidelines §15096(g)(2) and §15096(h), that the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and that it did not find any feasible alternative or feasible mitigation measures within its powers that would substantially lessen or avoid any significant effect the project would have on the environment, and that it has considered findings made by the City of San Clemente for EIR 84-02 pursuant §§15091 and 15093, incorporated herein by this reference, adopted by the Commission as though fully set forth herein.
2. Adopt the form of resolution approving the “Talega Annexation No. 31 to the City of San Clemente” (CA 05-04) and waive conducting authority proceedings pursuant to Government Code Section 56663. The approval is subject to the following terms and conditions:
 - a) Payment of Recorder and State Board of Equalization fees.
 - b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.

- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including: collecting fees as required by the fee programs and depositing said fees together with earned interest on a quarterly basis with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.
- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the city, all right, title, and interest of the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the city, except for those properties to be retained by the County and specifically listed by these conditions. The city shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the executive officer.
- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the

City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.

Respectfully submitted,

JOYCE CROSTHWAITE





CAROLYN EMERY

Attachments: Vicinity Map
 Form of Resolution

TALEGA VILLAGE 5 BATCH 3 ANNEXATION EXHIBIT

TALEGA BATCH 3
ANNEXATION AREA

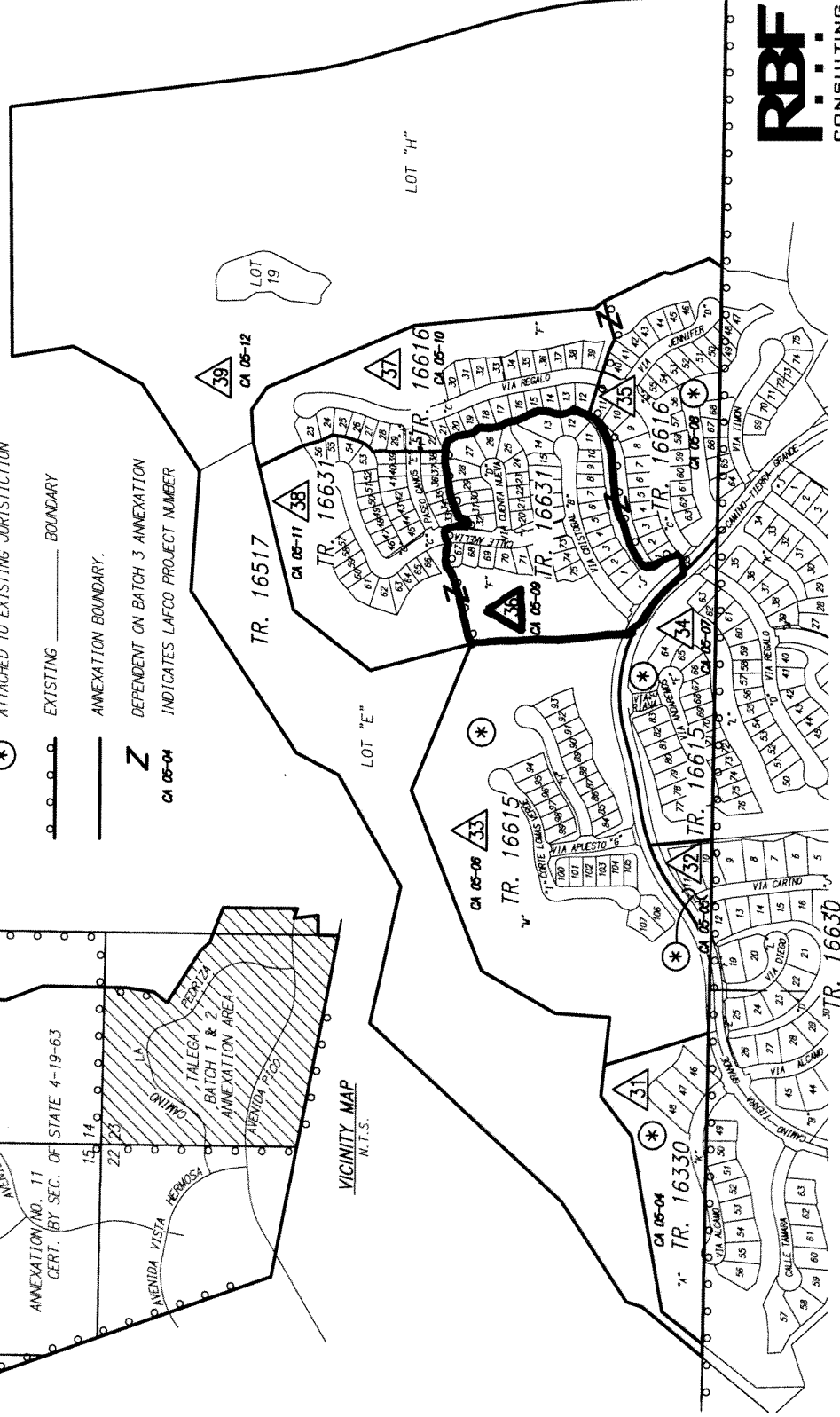
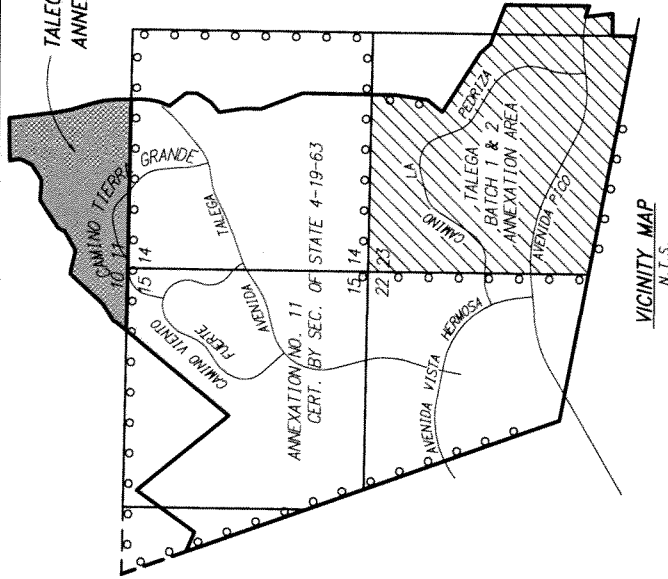
LEGEND

-  DENOTES BATCH 3 ANNEXATION NO.
-  ATTACHED TO EXISTING JURISDICTION
-  EXISTING BOUNDARY
-  ANNEXATION BOUNDARY
- Z** DEPENDENT ON BATCH 3 ANNEXATION
- CA 05-04** INDICATES LAFCO PROJECT NUMBER

SCALE: 1"=400'

AREA SUMMARY:

31	=	6.16 AC.
32	=	1.15 AC.
33	=	25.48 AC.
34	=	7.00 AC.
35	=	9.83 AC.
36	=	12.44 AC.
37	=	11.20 AC.
38	=	11.28 AC.
39	=	96.52 AC.
TOTAL		= 181.07 AC.



SHEET 1 OF 1 SHEET

PLANNING ■ DESIGN ■ CONSTRUCTION

RBF
CONSULTING

14725 ALTON PARKWAY
RYNE, CALIFORNIA 92088-2027
949.472.5505 • FAX 949.472.8373 • WWW.RBF.COM

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING
TALEGA ANNEXATION NO. 31 TO THE CITY OF SAN CLEMENTE**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the proposed annexation to the City of San Clemente, designated as "Talega Annexation No. 31 to the City of San Clemente" (CA 05-04), was heretofore filed with and accepted for filing on April 28, 2006 by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set May 10, 2006, as the hearing date of this proposal; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission on May 10, 2006, considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, information satisfactory to this Commission has been presented that all the owners of land within the proposed territory have given their written consent to the annexation;

and

WHEREAS, this Commission has fulfilled its obligations as a responsible agency as defined by the California Environmental Quality Act and has reviewed and considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and has made findings pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange based on the findings, discussion and conclusions set forth in the Executive Officer's report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. Pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines, the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and finds as follows:

- a) No feasible alternative or feasible mitigation measures within its powers would substantially lessen or avoid any significant effect the project would have on the environment.
- b) The Commission has considered findings made by the City of San Clemente for EIR 84-02 pursuant to Sections 15091 and 15093 and the Mitigation Monitoring Program for EIR 482 for the Rolling Hills Planned Community prepared by the County of Orange, which findings are hereby incorporated herein by this reference and adopted by the Commission as though fully set forth herein.

Section 2. The proposal is approved subject to the following terms and conditions:

- a) Payment by the applicant of the Recorder and State Board of Equalization fees.
- b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.
- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit

designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including the collection of fees as required by the fee programs and depositing said fees, together with earned interest on a quarterly basis, with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.

- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the City, all right, title, and interest of

the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the City, except for those properties to be retained by the County and specifically listed by these conditions. The City shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the Executive Officer.

- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.
- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.



May 10, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
General Public

TOM WILSON
Supervisor
Fifth District

JOHN WITHERS
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Irvine Ranch Water District

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RHONDA MCCUNE
Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Project Manager

SUBJECT: Proposed "Talega Annexation No. 36 to the City of San Clemente"
(CA 05-09)

APPLICANT

Talega Associates, LLC, by landowner petition.

PROPOSAL DESCRIPTION

Proposed with 100% consent of the property owners is annexation of approximately 12.44 acres of uninhabited, unincorporated territory to the City of San Clemente. This proposal is the sixth annexation of the Talega Batch No. 3 annexations, and thirty-sixth overall of the Talega Valley Development annexations to the City of San Clemente. The proposal site is planned for 41 residential units. The entire Talega Valley Development encompasses approximately 3,510 acres, with approximately 1,880 acres located within the City of San Clemente and approximately 127 acres in unincorporated County territory within the City's sphere of influence.

LOCATION

The annexation territory is generally located east of the City, north of Avenida Pico, and west of the Foothill Transportation Corridor South CP-Alignment. (See attached vicinity map.)

LAND USE

The City and County General Plans designate the proposal site as Low-Medium Density Residential. Adjacent and surrounding land uses include similarly planned residential developments of Talega Valley.

PROPERTY TAX

Property tax resolutions have been adopted by the City and County in accordance with their Master Property Tax Exchange Agreement, with the County receiving 51% of property tax revenues and the City receiving 49%.

ENVIRONMENTAL REVIEW

The City of San Clemente prepared and adopted EIR 84-02 for adoption of the Talega Valley Specific Plan, and prepared and adopted a 1999 Addendum to EIR 84-02, for annexation of the Talega Valley Development and formation of the Joint Planning Authority, pursuant to the California Environmental Quality Act. The Addendum finds that: (1) there have not been substantial changes in the project that require major revisions to the previous EIR; (2) there have not been substantial changes with respect to the circumstances under which the project is undertaken; and (3) there is no new information of substantial environmental significance. The Commission previously considered EIR 84-02, Addendum to EIR 84-02, and findings made by the City of San Clemente for EIR 84-02 on July 14, 1999 at its hearing on “Talega Annexation No. 1 to the City of San Clemente” (CA 98-12).

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA)

The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County’s RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Make findings pursuant to State CEQA Guidelines §15096(g)(2) and §15096(h), that the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and that it did not find any feasible alternative or feasible mitigation measures within its powers that would substantially lessen or avoid any significant effect the project would have on the environment, and that it has considered findings made by the City of San Clemente for EIR 84-02 pursuant §§15091 and 15093, incorporated herein by this reference, adopted by the Commission as though fully set forth herein.
2. Adopt the form of resolution approving the “Talega Annexation No. 36 to the City of San Clemente” (CA 05-09) and waive conducting authority proceedings pursuant to Government Code Section 56663. The approval is subject to the following terms and conditions:
 - a) Payment of Recorder and State Board of Equalization fees.
 - b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.

- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including: collecting fees as required by the fee programs and depositing said fees together with earned interest on a quarterly basis with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.
- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the city, all right, title, and interest of the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the city, except for those properties to be retained by the County and specifically listed by these conditions. The city shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the executive officer.
- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the

City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.

Respectfully submitted,

JOYCE CROSTHWAITE

CAROLYN EMERY

Attachments: Vicinity Map
 Form of Resolution

TALEGA VILLAGE 5 BATCH 3 ANNEXATION EXHIBIT

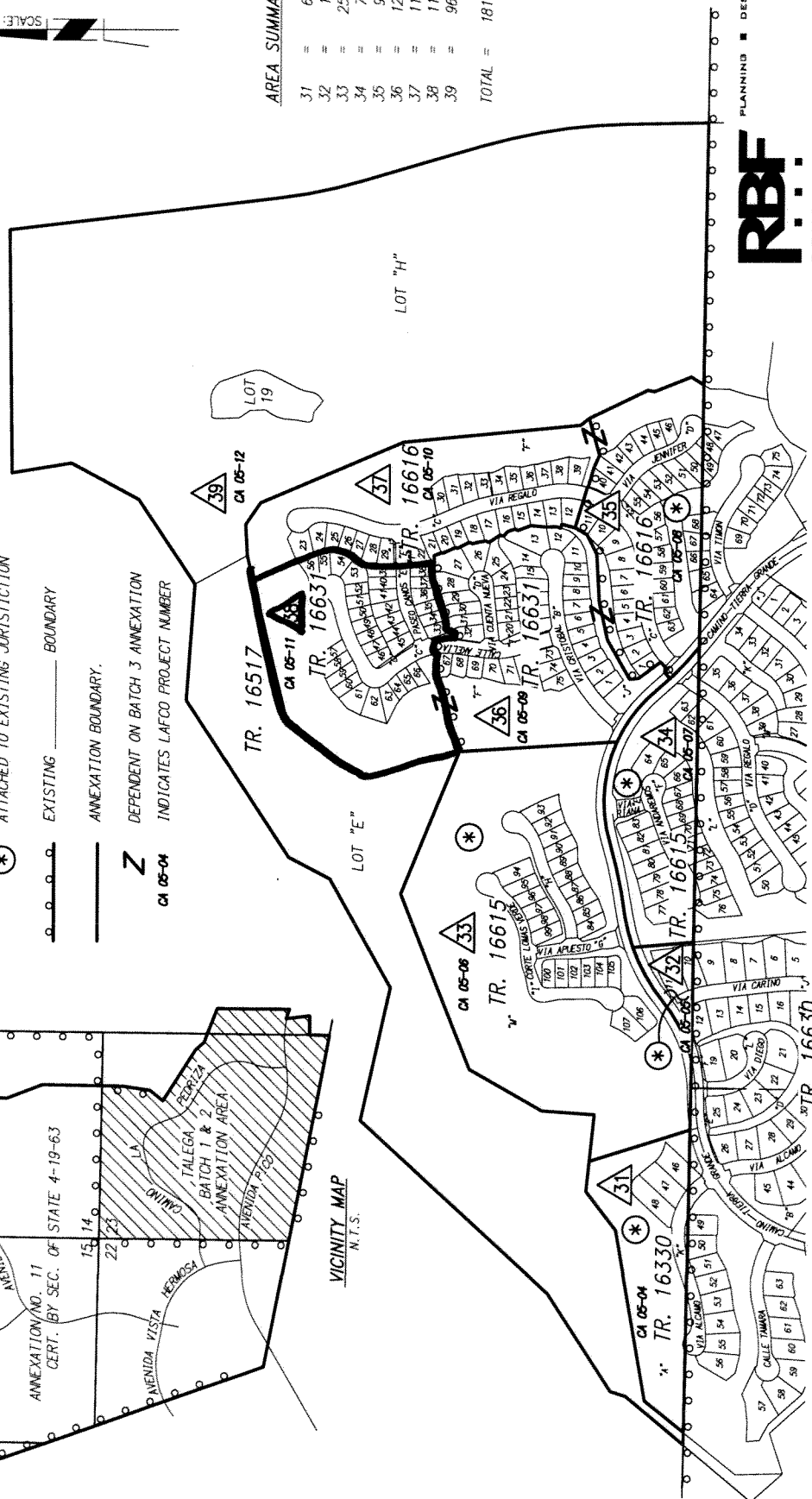
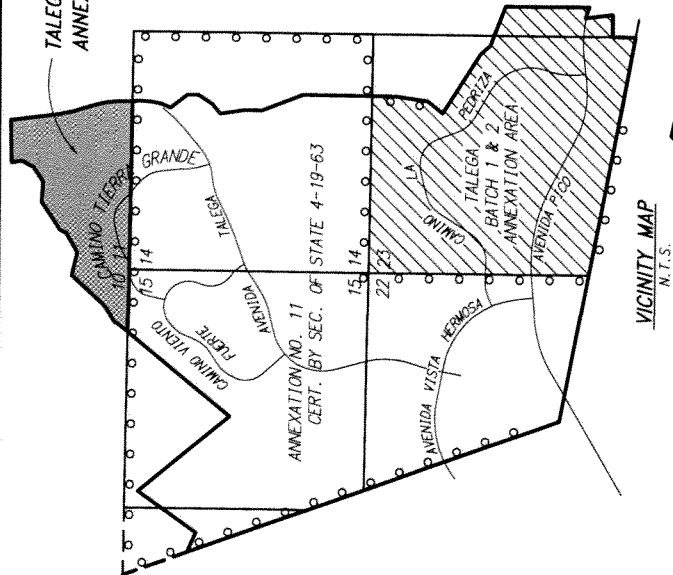
TALEGA BATCH 3
ANNEXATION AREA

- LEGEND**
- DENOTES BATCH 3 ANNEXATION NO.
 - ATTACHED TO EXISTING JURISDICTION
 - EXISTING _____ BOUNDARY
 - ANNEXATION BOUNDARY.
 - Z** DEPENDENT ON BATCH 3 ANNEXATION
 - CA 05-04** INDICATES LAFCO PROJECT NUMBER

SCALE: 1"=400'

AREA SUMMARY:

31	=	6.16 AC.
32	=	1.15 AC.
33	=	25.48 AC.
34	=	7.00 AC.
35	=	9.83 AC.
36	=	12.44 AC.
37	=	11.20 AC.
38	=	11.28 AC.
39	=	96.52 AC.
TOTAL	=	181.07 AC.



RBF
CONSULTING

PLANNING ■ DESIGN ■ CONSTRUCTION

14725 ALTON PARKWAY
IRVINE, CALIFORNIA 92618-2027
949.472.3505 • FAX 949.472.8373 • WWW.RBF.COM

SHEET 1 OF 1 SHEET

CA 05-09

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING
TALEGA ANNEXATION NO. 36 TO THE CITY OF SAN CLEMENTE**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the proposed annexation to the City of San Clemente, designated as "Talega Annexation No. 36 to the City of San Clemente" (CA 05-09), was heretofore filed with and accepted for filing on April 28, 2006 by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set May 10, 2006, as the hearing date of this proposal; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission on May 10, 2006, considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, information satisfactory to this Commission has been presented that all the owners of land within the proposed territory have given their written consent to the annexation;

and

WHEREAS, this Commission has fulfilled its obligations as a responsible agency as defined by the California Environmental Quality Act and has reviewed and considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and has made findings pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange based on the findings, discussion and conclusions set forth in the Executive Officer's report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. Pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines, the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and finds as follows:

- a) No feasible alternative or feasible mitigation measures within its powers would substantially lessen or avoid any significant effect the project would have on the environment.
- b) The Commission has considered findings made by the City of San Clemente for EIR 84-02 pursuant to Sections 15091 and 15093 and the Mitigation Monitoring Program for EIR 482 for the Rolling Hills Planned Community prepared by the County of Orange, which findings are hereby incorporated herein by this reference and adopted by the Commission as though fully set forth herein.

Section 2. The proposal is approved subject to the following terms and conditions:

- a) Payment by the applicant of the Recorder and State Board of Equalization fees.
- b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.
- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit

designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including the collection of fees as required by the fee programs and depositing said fees, together with earned interest on a quarterly basis, with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.

- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the City, all right, title, and interest of

the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the City, except for those properties to be retained by the County and specifically listed by these conditions. The City shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the Executive Officer.

- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.
- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.



May 10, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
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Fifth District

JOHN WITHERS
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RHONDA MCCUNE
Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Project Manager

SUBJECT: Proposed "Talega Annexation No. 38 to the City of San Clemente"
(CA 05-11)

APPLICANT

Talega Associates, LLC, by landowner petition.

PROPOSAL DESCRIPTION

Proposed with 100% consent of the property owners is annexation of approximately 11.28 acres of uninhabited, unincorporated territory to the City of San Clemente. This proposal is the seventh annexation of the Talega Batch No. 3 annexations, and thirty-seventh overall of the Talega Valley Development annexations to the City of San Clemente. The proposal site is planned for 28 residential units. The entire Talega Valley Development encompasses approximately 3,510 acres, with approximately 1,880 acres located within the City of San Clemente and approximately 127 acres in unincorporated County territory within the City's sphere of influence.

LOCATION

The annexation territory is generally located east of the City, north of Avenida Pico, and west of the Foothill Transportation Corridor South CP-Alignment. (See attached vicinity map.)

LAND USE

The City and County General Plans designate the proposal site as Low-Medium Density Residential. Adjacent and surrounding land uses include similarly planned residential developments of Talega Valley.

PROPERTY TAX

Property tax resolutions have been adopted by the City and County in accordance with their Master Property Tax Exchange Agreement, with the County receiving 51% of property tax revenues and the City receiving 49%.

ENVIRONMENTAL REVIEW

The City of San Clemente prepared and adopted EIR 84-02 for adoption of the Talega Valley Specific Plan, and prepared and adopted a 1999 Addendum to EIR 84-02, for annexation of the Talega Valley Development and formation of the Joint Planning Authority, pursuant to the California Environmental Quality Act. The Addendum finds that: (1) there have not been substantial changes in the project that require major revisions to the previous EIR; (2) there have not been substantial changes with respect to the circumstances under which the project is undertaken; and (3) there is no new information of substantial environmental significance. The Commission previously considered EIR 84-02, Addendum to EIR 84-02, and findings made by the City of San Clemente for EIR 84-02 on July 14, 1999 at its hearing on “Talega Annexation No. 1 to the City of San Clemente” (CA 98-12).

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA)

The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County’s RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Make findings pursuant to State CEQA Guidelines §15096(g)(2) and §15096(h), that the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and that it did not find any feasible alternative or feasible mitigation measures within its powers that would substantially lessen or avoid any significant effect the project would have on the environment, and that it has considered findings made by the City of San Clemente for EIR 84-02 pursuant §§15091 and 15093, incorporated herein by this reference, adopted by the Commission as though fully set forth herein.
2. Adopt the form of resolution approving the “Talega Annexation No. 36 to the City of San Clemente” (CA 05-09) and waive conducting authority proceedings pursuant to Government Code Section 56663. The approval is subject to the following terms and conditions:
 - a) Payment of Recorder and State Board of Equalization fees.
 - b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.

- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including: collecting fees as required by the fee programs and depositing said fees together with earned interest on a quarterly basis with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.
- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the city, all right, title, and interest of the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the city, except for those properties to be retained by the County and specifically listed by these conditions. The city shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the executive officer.
- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing

allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.

Respectfully submitted,

JOYCE CROSTHWAITE

CAROLYN EMERY

Attachments: Vicinity Map
 Form of Resolution

TALEGA BATCH 3
ANNEXATION AREA



31	==	6.16 AC.
32	==	1.15 AC.
33	==	25.48 AC.
34	==	7.00 AC.
35	==	9.83 AC.
36	==	12.44 AC.
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39	==	96.52 AC.
TOTAL	==	181.07 AC.

14725 ALTON PARKWAY
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X 949.472.8373 • WWW.PREF.COM

CONSULTING

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CA 05-11

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING
TALEGA ANNEXATION NO. 38 TO THE CITY OF SAN CLEMENTE**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the proposed annexation to the City of San Clemente, designated as "Talega Annexation No. 38 to the City of San Clemente" (CA 05-11), was heretofore filed with and accepted for filing on April 28, 2006 by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set May 10, 2006, as the hearing date of this proposal; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission on May 10, 2006, considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, information satisfactory to this Commission has been presented that all the owners of land within the proposed territory have given their written consent to the annexation;

and

WHEREAS, this Commission has fulfilled its obligations as a responsible agency as defined by the California Environmental Quality Act and has reviewed and considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and has made findings pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange based on the findings, discussion and conclusions set forth in the Executive Officer's report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. Pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines, the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and finds as follows:

- a) No feasible alternative or feasible mitigation measures within its powers would substantially lessen or avoid any significant effect the project would have on the environment.
- b) The Commission has considered findings made by the City of San Clemente for EIR 84-02 pursuant to Sections 15091 and 15093 and the Mitigation Monitoring Program for EIR 482 for the Rolling Hills Planned Community prepared by the County of Orange, which findings are hereby incorporated herein by this reference and adopted by the Commission as though fully set forth herein.

Section 2. The proposal is approved subject to the following terms and conditions:

- a) Payment by the applicant of the Recorder and State Board of Equalization fees.
- b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.
- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit

designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including the collection of fees as required by the fee programs and depositing said fees, together with earned interest on a quarterly basis, with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.

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the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the City, except for those properties to be retained by the County and specifically listed by these conditions. The City shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the Executive Officer.

- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.
- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.



May 10, 2006

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Councilmember
City of Laguna Woods

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BILL CAMPBELL
Supervisor
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Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Project Manager

SUBJECT: Proposed "Talega Annexation No. 39 to the City of San Clemente"
(CA 05-12)

APPLICANT

Talega Associates, LLC, and Santa Margarita Water District, by landowner petition.

PROPOSAL DESCRIPTION

Proposed with 100% consent of the property owners is annexation of approximately 96.52 acres of uninhabited, unincorporated territory to the City of San Clemente. This proposal is the eighth annexation of the Talega Batch No. 3 annexations, and thirty-eighth overall of the Talega Valley Development annexations to the City of San Clemente. The proposal site is planned for undeveloped open space. The entire Talega Valley Development encompasses approximately 3,510 acres, with approximately 1,880 acres located within the City of San Clemente and approximately 127 acres in unincorporated County territory within the City's sphere of influence.

LOCATION

The annexation territory is generally located east of the City, north of Avenida Pico, and west of the Foothill Transportation Corridor South CP-Alignment. (See attached vicinity map.)

LAND USE

The City and County General Plans designate the proposal site as Open Space. Adjacent and surrounding land uses include similarly planned residential developments of Talega Valley.

PROPERTY TAX

Property tax resolutions have been adopted by the City and County in accordance with their Master Property Tax Exchange Agreement, with the County receiving 51% of property tax revenues and the City receiving 49%.

ENVIRONMENTAL REVIEW

The City of San Clemente prepared and adopted EIR 84-02 for adoption of the Talega Valley Specific Plan, and prepared and adopted a 1999 Addendum to EIR 84-02, for annexation of the Talega Valley Development and formation of the Joint Planning Authority, pursuant to the California Environmental Quality Act. The Addendum finds that: (1) there have not been substantial changes in the project that require major revisions to the previous EIR; (2) there have not been substantial changes with respect to the circumstances under which the project is undertaken; and (3) there is no new information of substantial environmental significance. The Commission previously considered EIR 84-02, Addendum to EIR 84-02, and findings made by the City of San Clemente for EIR 84-02 on July 14, 1999 at its hearing on “Talega Annexation No. 1 to the City of San Clemente” (CA 98-12).

REGIONAL HOUSING NEEDS ASSESSMENT (RHNA)

The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County’s RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Make findings pursuant to State CEQA Guidelines §15096(g)(2) and §15096(h), that the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and that it did not find any feasible alternative or feasible mitigation measures within its powers that would substantially lessen or avoid any significant effect the project would have on the environment, and that it has considered findings made by the City of San Clemente for EIR 84-02 pursuant §§15091 and 15093, incorporated herein by this reference, adopted by the Commission as though fully set forth herein.
2. Adopt the form of resolution approving the “Talega Annexation No. 39 to the City of San Clemente” (CA 05-12) and waive conducting authority proceedings pursuant to Government Code Section 56663. The approval is subject to the following terms and conditions:
 - a) Payment of Recorder and State Board of Equalization fees.
 - b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.

- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including: collecting fees as required by the fee programs and depositing said fees together with earned interest on a quarterly basis with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.
- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the city, all right, title, and interest of the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the city, except for those properties to be retained by the County and specifically listed by these conditions. The city shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the executive officer.
- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing

allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.

- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.

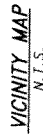
Respectfully submitted,

JOYCE CROSTHWAITE

CAROLYN EMERY

Attachments: Vicinity Map
 Form of Resolution

TALEGA BATCH 3
ANNEXATION AREA



—

_____ ,00

20

OS 17

10

SUMMARY

31	=	6.16 AC.
32	=	1.15 AC.
33	=	25.48 AC.
34	=	7.00 AC.
35	=	9.83 AC.
36	=	12.44 AC.
37	=	11.20 AC.
38	=	11.28 AC.
39	=	96.52 AC.
TOTAL	=	181.07 AC.

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CA 05-12

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING
TALEGA ANNEXATION NO. 39 TO THE CITY OF SAN CLEMENTE**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, the proposed annexation to the City of San Clemente, designated as "Talega Annexation No. 39 to the City of San Clemente" (CA 05-12), was heretofore filed with and accepted for filing on April 28, 2006 by the Executive Officer of this Local Agency Formation Commission pursuant to Title 5, Division 3, commencing with Section 56000 et seq. of the Government Code; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56658 set May 10, 2006, as the hearing date of this proposal; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56665 has reviewed this proposal and prepared a report including her recommendation thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, this Commission on May 10, 2006, considered the proposal and the report of the Executive Officer, and considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing, this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, information satisfactory to this Commission has been presented that all the owners of land within the proposed territory have given their written consent to the annexation;

and

WHEREAS, this Commission has fulfilled its obligations as a responsible agency as defined by the California Environmental Quality Act and has reviewed and considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and has made findings pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange based on the findings, discussion and conclusions set forth in the Executive Officer's report, which is incorporated herein by this reference, DOES HEREBY RESOLVE, DETERMINE and ORDER as follows:

Section 1. Pursuant to Sections 15096(g)(2) and 15096(h) of the State CEQA Guidelines, the Commission has considered EIR 84-02 and Addendum to EIR 84-02 prepared by the City of San Clemente, and finds as follows:

- a) No feasible alternative or feasible mitigation measures within its powers would substantially lessen or avoid any significant effect the project would have on the environment.
- b) The Commission has considered findings made by the City of San Clemente for EIR 84-02 pursuant to Sections 15091 and 15093 and the Mitigation Monitoring Program for EIR 482 for the Rolling Hills Planned Community prepared by the County of Orange, which findings are hereby incorporated herein by this reference and adopted by the Commission as though fully set forth herein.

Section 2. The proposal is approved subject to the following terms and conditions:

- a) Payment by the applicant of the Recorder and State Board of Equalization fees.
- b) Prior to the issuance of the Certificate of Completion by the Executive Officer, the Talega Joint Planning Authority shall provide written notice to the Executive Officer that all building permits within the annexation territory have been issued by the Talega Joint Planning Authority.
- c) Prior to the issuance of the Certificate of Completion by the Executive Officer, the City shall adopt a resolution adopting the areas of benefit

designated below and agreeing to participate in the applicable Major Thoroughfare and Bridge Fee Programs including the collection of fees as required by the fee programs and depositing said fees, together with earned interest on a quarterly basis, with the Transportation Corridor Agency (TCA) or County, as applicable. Areas of benefit: Foothill/Eastern Transportation Corridor and the La Pata Supplemental Fee Program.

- d) Upon the effective date of annexation, the City shall assume ownership and maintenance responsibilities for all drainage devices, storm drain channels and appurtenant facilities, site drainage, and all master plan storm drain facilities that are operated and maintained by the County of Orange within the annexation area.
- e) Orange County Flood Control District (OCFCD) owned and operated facilities for which OCFCD has fee title or an easement for flood control purposes (i.e. not a floodplain easement) will continue to be operated and maintained by OCFCD.
- f) The City shall accept and adopt the County's Master Plan of Drainage (MPD) in effect within its boundaries. Any deviation from the MPD shall be submitted to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review of conformity with the County's General Plans.
- g) The City shall be responsible for the administration of floodplain zoning and Federal Emergency Management Agency (FEMA) floodplain regulations within the annexation area.
- h) The City shall coordinate development adjacent to any existing flood control facilities, for which OCFCD has a recorded flood control easement or owns fee interest, by submitting plans and specifications to the Manager of Flood Control Division, County of Orange Resources and Development Management Department, for review and require execution of agreement for acceptance of the facility design and construct necessary flood facilities to the satisfaction of Orange County.
- i) Upon annexation of the territory to the City, all right, title, and interest of

the county, including the underlying fee title where owned by the County in any and all sidewalks, storm drains, trails, landscaped areas, street lights, signals, open space, water quality treatment basins and/or structures, and water quality treatment basins or systems serving roadway and bridges shall vest in the City, except for those properties to be retained by the County and specifically listed by these conditions. The City shall assume ownership and maintenance responsibility upon the issuance of the certificate of completion by the Executive Officer.

- j) The portion of County's Christianitos Regional Riding and Hiking Trail that exists within the annexation area be retained by the County as part of its extensive regional trail network or be provided through conditions of approval by the City of San Clemente for subdivisions/areas not yet approved/developed.
- k) The County and the City of San Clemente entered into an agreement on December 4, 2001 for the transfer of RHNA allocations from the County to the City. Based on this agreement, a total of 1,864 of the County's RHNA housing allocation units (applicable to areas within the Talega Valley Development that have been, or will be, annexed into the City of San Clemente) will be transferred to the City of San Clemente upon issuance of the building permits. The effective date of the transfer shall be the effective date of issuance of building permits. Should the issuance of building permits precede the annexation of an area within the Talega Valley Development, the effective date of the transfer of the RHNA allocation units shall be the date of recordation of the Certificate of Completion for the respective annexation area.
- l) The applicant agrees to defend, hold harmless and indemnify LAFCO and/or its agents, officers and employees from any claim, action or proceeding against LAFCO and/or its agents, officers and employees to attack, set aside, void or annul the approval of LAFCO concerning this proposal or any action relating to or arising out of such approval.
- m) The effective date shall be the date of recordation.



CHAIR
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Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

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Representative of
General Public

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General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

DATE: May 10, 2006

TO: Local Agency Formation Commission

FROM: Executive Officer
Communications Analyst

SUBJECT: Proposed Municipal Service Reviews & Sphere of Influence
Reviews for the City of Yorba Linda (MSR 06-21 & SOI 06-
22) and Yorba Linda Water District (MSR 06-23 & SOI 06-24)

INTRODUCTION

The attached report includes the municipal service reviews (MSR) and sphere of influence (SOI) reviews for the City of Yorba Linda and Yorba Linda Water District (YLWD).

MUNICIPAL SERVICE REVIEW (MSR)

LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.

Staff did not identify any significant issues for either the City of Yorba Linda or YLWD and recommends that the Commission receive and file the MSR-SOI report (Attachment A) and adopt the MSR determinations (Attachment B).

SPHERE OF INFLUENCE REVIEW (SOI)

In accordance with Government Code Sections 56425 and 56430, LAFCO is required to complete sphere of influence (SOI) reviews in conjunction with municipal service reviews for each city and special district once every five years. An SOI is a long-range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts.

City of Yorba Linda

LAFCO established the City of Yorba Linda's sphere of influence at three separate public hearings in 1973: the city's northern sphere boundary on March 28, 1973; the city's western and southern sphere boundaries on June 27, 1973; and the city's eastern sphere boundary on July 11, 1973. The Commission reexamined the city's sphere at the city's request on

November 3, 1975, but denied the requested sphere amendment. The sphere has not been comprehensively reviewed since.

In reviewing the city's sphere of influence and anticipated annexations, staff did not identify any reason to modify the city's existing sphere of influence and therefore recommends that the Commission reaffirm the city's current sphere by adopting resolution SOI 06-22 (Attachment K). Further, staff asks that the Commission receive and file the MSR-SOI report (Attachment A) and adopt the SOI statement of determinations for the city (Attachment C).

Yorba Linda Water District

The Yorba Linda Water District's sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice – on July 7, 1977 and October 1, 1986.

YLWD provides water service, sewer service, or a combination of both to an estimated 74,800 people through approximately 23,000 service connections in the Cities of Yorba Linda, Anaheim, Brea, and Placentia, as well as, three unincorporated County islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's northern sphere. YLWD also extends water and sewer service to many areas beyond its current service territory. These areas are all within the City of Yorba Linda's corporate or sphere of influence boundaries and are served via out-of-area agreements with the city.

Further, the City of Yorba Linda recently hired a consultant to conduct a feasibility study to determine if efficiencies can be achieved if YLWD (or perhaps a private entity) assumes the city's sewer service provision and related infrastructure. The district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing should the city and district mutually agree to pursue this option in the future. However, the district would most likely want to pursue annexation of the city's entire service territory rather than serve areas outside its own service territory via out-of-area agreements with the city. Annexation of these areas to the district's service territory is contingent on the areas being included in the district's sphere of influence.

For these reasons, staff recommends that the Commission modify YLWD's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park, by adopting resolution SOI 06-24 (Attachment M). Staff further asks that the

Commission receive and file the MSR-SOI report (Attachment A) and adopt the SOI statement of determinations for the district (Attachment C).

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Municipal service reviews (MSRs) and sphere of influence (SOI) reviews are subject to the California Environmental Quality Act (CEQA). LAFCO is the lead agency for both MSRs and SOI reviews under CEQA.

Municipal Service Reviews

Staff, in conjunction with legal counsel, reviewed the CEQA guidelines and recommends that the Commission consider the MSR determinations for the City of Yorba Linda and YLWD exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning Studies. Projects involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded do not require the preparation of an EIR or Negative Declaration but do require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.

The MSRs are also exempt from CEQA pursuant to §15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource, and §15061(b)(3), which states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. As such, staff drafted Notices of Exemption for City of Yorba Linda and YLWD MSRs. (Please refer to Attachment D & G.)

Sphere of Influence Reviews

City of Yorba Linda

Staff, in conjunction with legal counsel, reviewed the CEQA guidelines and recommends that the Commission consider the City of Yorba Linda's SOI update exempt from CEQA under CEQA Local Guidelines 3.01 (i.e., the sphere review is not an enactment and, therefore, not a project within the definition of "project" contained in CEQA Guidelines Section 21065). The review determined that no change to the existing sphere of influence is warranted. (See Attachment E, Notice of Exemption for the City of Yorba Linda's MSR.)

Yorba Linda Water District

Staff completed an Initial Study and determined that the adoption of the Yorba Linda Water District's SOIs would not have a significant effect on the environment as determined by CEQA. Accordingly, a draft Negative Declaration (Attachment H) was prepared and noticed in accordance with existing guidelines for implementing CEQA. No comments on the draft Negative Declaration have been received.

Additionally, staff recommends that the Commission certify that, based upon the Notices of Exemption and draft Negative Declaration, the municipal service reviews and sphere of influence updates will not individually or cumulatively have an adverse effect on wildlife resources as defined in Section 711.2 of the Fish and Game Code and direct staff to file a *De Minimus* statements with California Wildlife, Fish and Game (Attachments F & I).

RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the municipal service review/sphere of influence report for the City of Yorba Linda and Yorba Linda Water District (Attachment A).
2. Find the municipal service reviews exempt under the statutory exemption of State CEQA Guidelines §15061(b)(3), §15262, and §15306 (Attachment D and Attachment G).
3. Find the City of Yorba Linda sphere of influence review exempt under the statutory exemption of State CEQA Guidelines §15061(b)(3) and §15306 (Attachment E).
4. Adopt the draft Negative Declaration prepared for the proposed YLWD sphere of influence update (Attachment H).
5. Certify the *De Minimus* Impact Finding statements for California Wildlife, Fish and Game (Attachment F and Attachment I).
6. Adopt the MSR determinations as required by Government Code §56430 (Attachment B) and the SOI Statements of Determination (Attachment C).
7. Adopt the resolutions (Attachment J and Attachment L) related to the City of Yorba Linda and YLWD's municipal service reviews.
8. Adopt the resolutions (Attachment K and Attachment M) reaffirming the City of Yorba Linda's current sphere of influence and amending YLWD's current sphere of influence.

Respectfully submitted,

JOYCE CROSTHWAITE

DANIELLE M. BALL

Attachment A: MSR-SOI Report for the City of Yorba Linda and YLWD
Attachment B: MSR Determinations (City of Yorba Linda and YLWD)
Attachment C: SOI Statements of Determination (City of Yorba Linda and YLWD)
Attachment D: Notice of Exemption for MSR (City of Yorba Linda)
Attachment E: Notice of Exemption for SOI (City of Yorba Linda)

Attachment F: *De Minimus* Statement of Findings for the City of Yorba Linda's MSR/SOI Review
Attachment G: Notice of Exemption for MSR (YLWD)
Attachment H: Draft Negative Declaration for SOI (YLWD)
Attachment I: *De Minimus* Statement of Findings for the YLWD MSR/SOI Review
Attachment J: LAFCO Resolution for the City of Yorba Linda MSR
Attachment K: LAFCO Resolution for the City of Yorba Linda SOI Update
Attachment L: LAFCO Resolution for the YLWD MSR
Attachment M: LAFCO Resolution for the YLWD SOI Update



MSR/SOI Report

**City of Yorba Linda &
Yorba Linda Water District**

May 10, 2006





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EXECUTIVE SUMMARY

Introduction

The purpose of this report is to provide a comprehensive review of the municipal services provided by the City of Yorba Linda and Yorba Linda Water District. To comply with the requirements of the Cortese-Knox-Hertzberg Act of 2000, the following report includes the municipal service reviews and sphere of influence (SOI) reviews/updates for the City of Yorba Linda and Yorba Linda Water District.

This report is organized into eleven sections:

1. ***Executive Summary*** – Provides an overview of the report's structure and content.
2. ***Introduction*** – Explains the statutory requirements related to municipal service and sphere of influence reviews and a summary of the environmental review required under the California Environmental Quality Act (CEQA).
3. ***History of the MSR Area*** – Provides a brief historical overview of the MSR area as it pertains to the City of Yorba Linda and Yorba Linda Water District
4. ***Review and Analysis of Service Provision, City of Yorba Linda*** – Examines the City of Yorba Linda's structure and service provision as they pertain to the nine municipal service review (MSR) determinations required by law.
5. ***The Nine Determinations, City of Yorba Linda*** – Summarizes LAFCO staff's nine MSR determinations based on the analysis of the City of Yorba Linda's structure and service provision.
6. ***Review and Analysis of Service Provision, Yorba Linda Water District*** – Examines the Yorba Linda Water District's structure and service provision as they pertain to the nine municipal service review (MSR) determinations required by law.
7. ***The Nine Determinations, Yorba Linda Water District*** – Summarizes LAFCO staff's nine MSR determinations based on the analysis of the Yorba Linda Water District's structure and service provision.



8. ***Sphere of Influence Update, City of Yorba Linda*** – Provides staff analysis and recommendations related to the City of Yorba Linda's sphere of influence update.
9. ***Statement of Determinations, City of Yorba Linda*** – Addresses the four sphere of influence determinations that LAFCO must by law address in completing a sphere of influence review and update for the City of Yorba Linda.
10. ***Sphere of Influence Update, Yorba Linda Water District*** – Provides staff analysis and recommendations related to the Yorba Linda Water District's sphere of influence update.
11. ***Statement of Determinations, Yorba Linda Water District*** – Addresses the four sphere of influence determinations that LAFCO must by law address in completing a sphere of influence review and update for the Yorba Linda Water District.

MSR Summary – City of Yorba Linda

The nine determinations for the City of Yorba Linda are examined in great detail beginning on page 17 of this report. Staff did not identify any significant issues and, based on its analysis of the city's structure and service provision, came to the following conclusions:

- ♦ The city's infrastructure is sound and adequate. Further, through its biennial budget and capital improvement program, the city has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.
- ♦ The city's expenditures appear to be based on efficient methods of operation. While the State-mandated local revenue shift from the city to the State will result in an overall reduction in the city's revenue, the city has planned accordingly. It is fiscally solvent and has adequate revenues.
- ♦ The city's organizational structure is sound, and the city provides efficient and cost effective services. Further, the city has implemented many cost reduction mechanisms, including facilities sharing, contracting with other public agencies and private entities for services, and investing in technology upgrades.
- ♦ The city's fee schedule and cost for services is very much in line with those of neighboring municipalities.



- ♦ The city operates with a high degree of transparency and is highly accountable to the public.
- ♦ While the city could potentially consolidate or reorganize with the Yorba Linda Water District (YLWD), whereby the district would either merge with or become a subsidiary district of the city, staff does not recommend or advocate that government structure option. Further, the city is investigating the possibility of transferring its sewer service provision and infrastructure to YLWD, an action that does not require consolidation or reorganization of the city and district.

SOI Summary – City of Yorba Linda

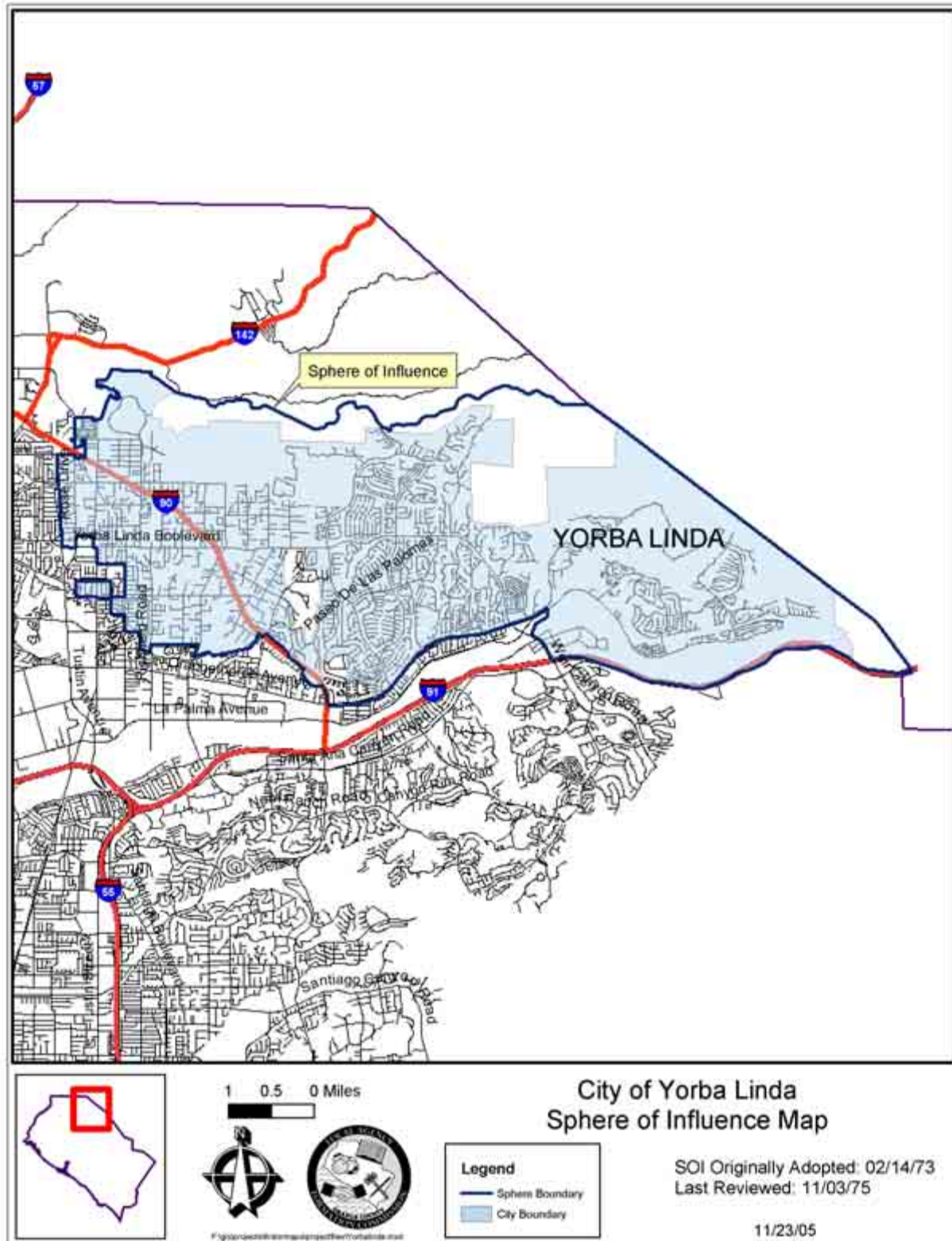
LAFCO established the City of Yorba Linda's sphere of influence in three increments in 1973: the northern sphere on March 28, 1973; the western and southern spheres on June 27, 1973; and the eastern sphere on July 11, 1973. The city requested an expansion to its sphere of influence in 1975, prompting the Commission to review the sphere on November 3, 1975. LAFCO has not comprehensively reviewed the city's sphere since.

The city's approximately 14,926-acre sphere of influence extends beyond its corporate boundaries to the north and to the east. The city's sphere also includes two noncontiguous unincorporated islands, known as the Country Club and Fairlynn islands, which comprise approximately 362 total acres. Both islands have been subject to at least three annex attempts by the city, the last of which was defeated by election in March 2004.

Based on its study and analysis, staff recommends that the Commission reaffirm the City of Yorba Linda's existing sphere of influence, as demonstrated in *Figure 1a, City of Yorba Linda Sphere of Influence Map*.



Figure 1a, City of Yorba Linda Sphere of Influence Map





MSR Summary – Yorba Linda Water District

The nine determinations for the Yorba Linda Water District are examined in great detail beginning on page 45 of this report. Staff did not identify any significant issues and, based on its analysis of the district's structure and service provision, came to the following conclusions:

- ♦ YLWD's infrastructure is sound and adequate. The district has adequately planned for infrastructure maintenance and improvements, as well as the increased water supply demand that will result from future growth within its current and projected service territory through its biennial budget and capital improvement program.
- ♦ YLWD's expenditures appear to be based on efficient methods of operation. While the revenues from current water rates plus non-operating revenues will not balance operating expenses during the 2005-2007 budget cycle, much of this is attributed to several large capital improvement and replacement projects.
- ♦ YLWD's organizational structure is sound, and the district provides efficient and cost effective services. The district hopes to increase groundwater production while reducing its reliance on imported water as a significant cost savings mechanism.
- ♦ YLWD's rates directly reflect the district's actual cost of providing service to its customers and are very competitive in comparison to the area's other service providers.
- ♦ YLWD operates with a high degree of transparency and is highly accountable to the public.
- ♦ While YLWD could potentially consolidate or reorganize with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city, staff does not recommend or advocate that government structure option. The district maintains high service levels, while also effectively safeguarding the public health.
- ♦ City of Yorba Linda is investigating the possibility of transferring its sewer service provision and infrastructure to YLWD.



SOI Summary – Yorba Linda Water District

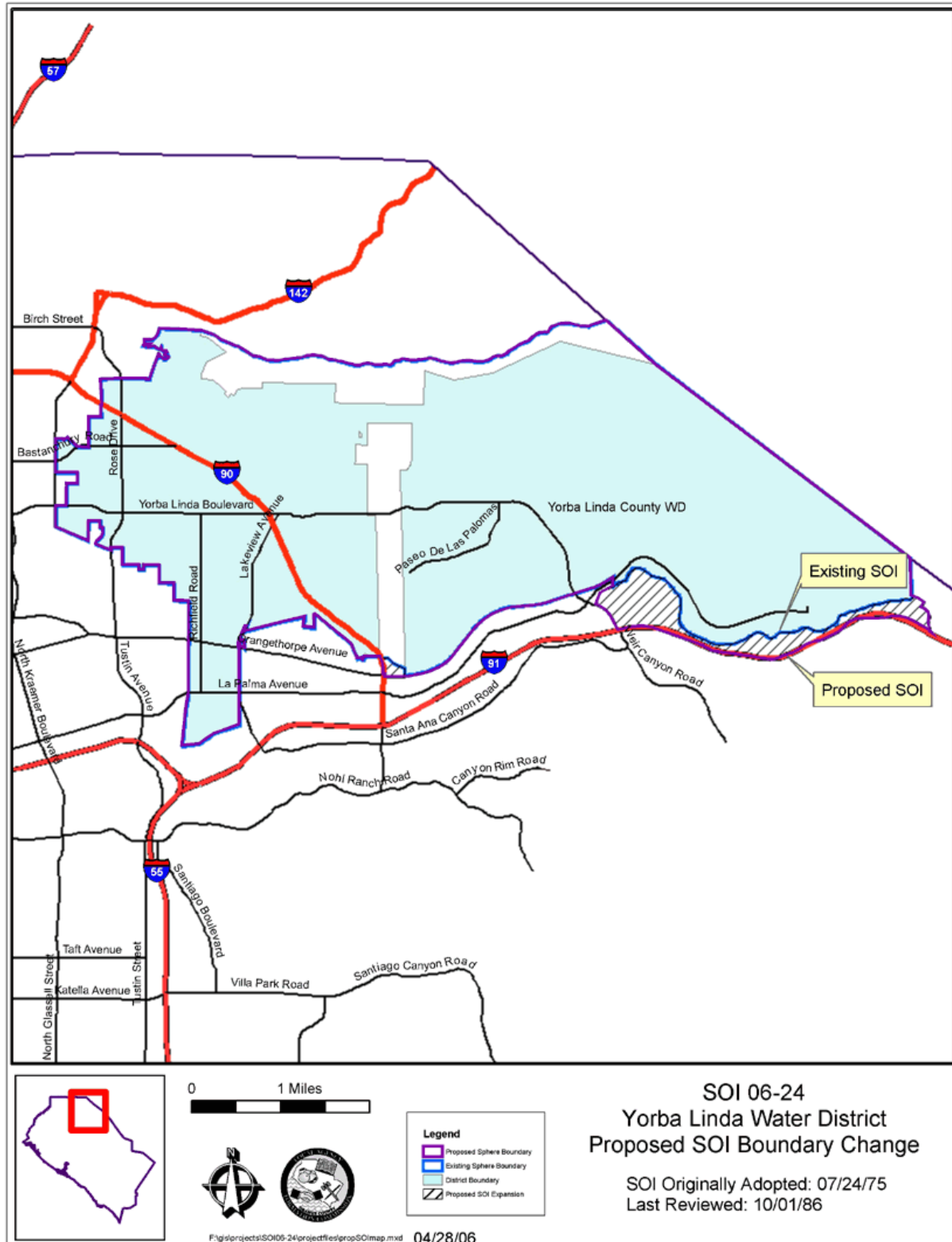
The Yorba Linda Water District's approximately 15,807-acre sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice – on July 7, 1977 and October 1, 1986.

YLWD provides water service, sewer service, or a combination of both to customers in the Cities of Yorba Linda, Anaheim, Brea, and Placentia, as well as, three unincorporated County islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's northern sphere. The district also extends water and sewer service to many areas beyond its current service territory. These areas are all within the City of Yorba Linda's corporate or sphere of influence boundaries and are served via out-of-area agreements with the city.

For this reason, and because the City of Yorba Linda is researching the possibility of transferring its sewer service provision to YLWD, staff recommends that the Commission modify YLWD's existing sphere of influence as demonstrated in **Figure 1b, YLWD Proposed Sphere of Influence Map**. The sphere would be expanded about 665 acres to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park. The district's proposed sphere would be comprised of approximately 16,472 acres.



Figure 1b, YLWD Proposed Sphere of Influence Map





INTRODUCTION

Statutory Requirements

In 2000, the State of California Legislature broadened LAFCO's authority by directing the agency to conduct comprehensive reviews of the delivery of municipal services provided in the County and any other area deemed appropriate by the Commission. Additionally, legislators directed LAFCO to complete sphere of influence reviews and updates of agencies under LAFCO's jurisdiction not less than every five years.

Overview of Municipal Service Review (MSR) Law—Government Code §56430

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires that LAFCO review municipal services before updating the spheres of influence and prepare a written statement of determination with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

The MSR process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO make determinations regarding the provision of public services per Government Code Section 56430. MSRs are not subject to the provisions of the California Environmental Quality Act (CEQA) because they are only feasibility or planning studies for possible future action that LAFCO has not approved (Cal. Pub. Res. Code § 21150). The ultimate outcome of conducting a service review, however, may result in LAFCO taking discretionary action on a change of organization or reorganization.



Overview of Sphere of Influence (SOI) Law—Government Code §56425

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates the agency's probable future boundary and service area. Spheres are planning tools used by LAFCO to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine a sphere of influence for each local governmental agency within the county and to review each agency's SOI every five years. In determining the SOI, LAFCO must address the following sphere determinations:

1. Present and planned land uses in the area, including agricultural and open-space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

Environmental Review

Municipal service reviews (MSRs) and sphere of influence (SOI) reviews are subject to the California Environmental Quality Act (CEQA). LAFCO is the lead agency for both MSRs and SOI reviews under CEQA.

Municipal Service Reviews

MSR proposals are considered Categorical Exempt from CEQA pursuant to several sections of the State CEQA Guidelines. MSRs are not a "project" within the meaning of the CEQA, because conducting MSRs does not have any potential to cause an adverse change in the environment.

Even to the extent that a municipal service reviews may be considered a "project," MSRs are exempt from the provisions of CEQA under several sections. Firstly, MSRs are statutorily exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15262, which exempts feasibility and planning studies. MSRs are merely planning studies for possible future actions that have not been approved, adopted, or funded and, therefore, are exempt from CEQA.



Secondly, municipal service reviews are Categorical Exempt from CEQA pursuant with Section 15306 of the Guidelines, which exempts basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. This exemption may be used strictly for information gathering purposes or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted, or funded.

Lastly, municipal service reviews are also covered by the general rule of CEQA, Section 15061(b)(3) of the CEQA Guidelines, which states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

In this case, the city and district's MSRs evaluate the agencies' current operations and do not propose any changes or organization or reorganization. As a result, the MSRs will not have any impact upon the environment and, therefore, are not subject to CEQA. Staff has drafted Notices of Exemption for the city and district's MSRs (MSR 06-21 and MSR 06-23 respectively).

Sphere of Influence Reviews

City of Yorba Linda

The City of Yorba Linda's sphere of influence update will validate the boundaries of its existing sphere (i.e., no changes to that sphere of influence will occur). Therefore, the city's sphere update is exempt from CEQA pursuant to State CEQA Guidelines Section 1501(b)(3), which states that a project is exempt from CEQA where it can be seen with certainty that there is no possibility that the activity in question may have significant effect on the environment. The city's sphere of influence update is further exempt from CEQA pursuant to State CEQA Guidelines Section 15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource.

Because the city's SOI review is not subject to CEQA, staff has drafted a Notice of Exemption for SOI 06-22.

Yorba Linda Water District

Since the Yorba Linda Water District's sphere of influence review resulted in recommended amendments to the district's current sphere of influence, staff completed an Initial Study and determined that the SOI update would not have a significant effect on the environment. Accordingly, staff prepared a draft Negative Declaration and noticed in accordance with existing guidelines for implementing CEQA.



HISTORY OF MSR AREA

History of the City of Yorba Linda

While archaeological evidence indicates that ancient Native American populations occupied the Santa Ana River banks in the Yorba Linda area as early as 4,000 years ago, the city's modern history began in the mid-nineteenth century. Bernardo Yorba received a 13,328-acre land grant from the Mexican government in 1834, which he christened "Rancho Canon de Santa Ana," meaning the "Canyon of Saint Anne." This included territory that would one day become present day Yorba Linda and, combined with the nearby landholdings of his father, a Spanish soldier who had been part of a 1769 expedition through the area, it formed one of the largest ranchos of the period. Within a year, Yorba had constructed the grandest adobe of California's Golden Age, a two-story hacienda with more than 50 rooms. He called the hacienda "San Antonio," and it is said



that a staff of hundreds was required to tend the rancho's vast agricultural production and livestock pursuits.

In 1850, California became the 31st state to enter the Union. Yorba died eight years later, in 1858, leaving his vast landholdings to be divided between his wife and twenty children. By 1907, a Fullerton resident by the name of Jacob Sterns

purchased a portion of this land, which he sold the following year to the Janss Investment Company of Los Angeles. The Janss Corporation retitled the territory "Yorba Linda" – "Yorba" after Bernardo Yorba, and "Linda," the Spanish word for "beautiful." It then subdivided the land and sold agricultural plots for \$150-250 per acre.

By 1911, Yorba Linda had about 35 residents, most of them citrus farmers, as oranges and lemons were the mainstay of the community's early economy. The Pacific Electric



Railway extended service to the area in 1912, and the railway depot soon became the community's center. Southern California Edison Company installed electric service that same year. The following year, the future 37th President of the United States, Richard M. Nixon, was born in Yorba Linda.

Still, Yorba Linda was small. Even by 1920, Yorba Linda had only 350 residents. Its population eventually climbed, albeit very slowly. In 1960, the farm town had a population of 1,198, but change was on the horizon. Seven years later, Yorba Linda had grown to include nearly 11,500 residents.



It could perhaps be said that Yorba Linda wanted incorporation more than any other Orange County city before or since. The first stirrings of the incorporation effort began in the mid-1950s. The oil companies had moved into the area by that time, and the community's residents developed an interest in more orderly development that would safeguard their property values. In 1955, a nine-man committee developed the community's first zoning ordinance. Late the following year, rumors that neighboring cities were seeking to annex land adjacent to Yorba Linda spurred the committee to study the possibility of incorporation. The effort was quashed during a townhall meeting in January 1957, when residents voted against the proposal, 88 to 62.

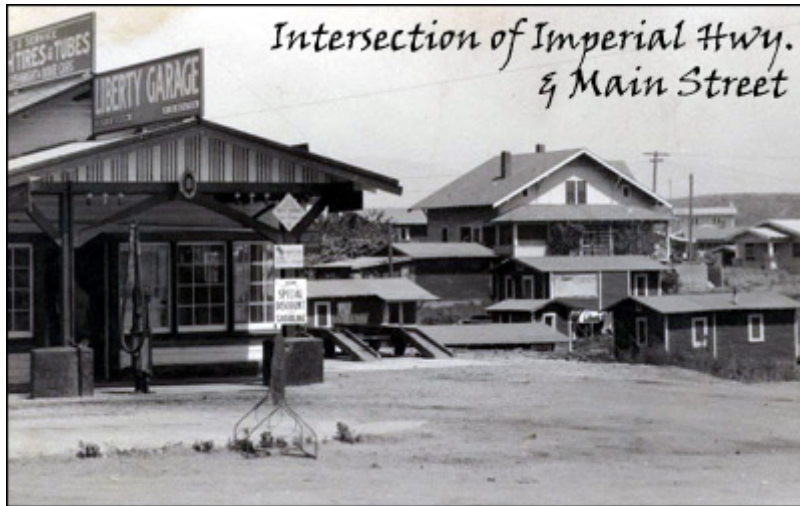
Incorporation proponents continued to advocate independence for Yorba Linda, while other factions touted the advantages of merging with Placentia or Brea. Still some others wanted to protect the community's friendly, rural atmosphere and remain as is. Discussions drew out over several years until late 1961. In December, a petition signed by 75 percent of Yorba Linda's residents was submitted to the Orange County Board of Supervisors (BOS) in support of incorporation. The proposed new city would roughly follow the boundaries of the recently established Yorba Linda County Water District, comprising approximately 5,000 acres and a population of 4,500.

The BOS considered the incorporation proposal at a public hearing in April 1962, during which it was revealed that incorporation opponents had secured the signatures



of persons owning nearly 63 percent of the total assessed land value of the proposed city. The incorporation effort was defeated again.

The City of Placentia approached the Yorba Linda Homeowners Association in April 1963 to negotiate mutually satisfactory boundaries with Yorba Linda, but the city's



efforts were derailed within a few weeks when residents discovered Placentia had submitted applications to annex much of Yorba Linda.

Incorporation proponents fought for cityhood a third time in 1963, submitting yet another petition for incorporation, which was considered by the BOS in July 1963. The county clerk was given thirty days to

validate the signatures on the petition, during which time the battle over incorporation intensified. While proponents hired a consultant to prove the merits and feasibility of Yorba Linda's incorporation, the City of Placentia filed a proposal to annex some of Yorba Linda's westside neighborhoods. Despite the residents opposition and intense litigation, the city was eventually successful in acquiring a 250-acre area.

Coincidentally, in September 1963, the State legislature passed the bill that mandated the formation of Local Agency Formation Commissions, a new commission that would be charged with determining city and district boundaries, including annexations and incorporations. While each county was afforded sixty days to form their commissions, Yorba Linda's incorporation effort was already in progress, so Orange County's LAFCO would never get the opportunity to weigh in.

In October 1963, incorporation opponents submitted another slough of protests comprising of 57.5 percent of the land and mineral valuation. While the legality and legitimacy of the protests was called into question at the BOS public hearing, the Board eventually upheld the protest documents, and Yorba Linda cityhood seemingly failed for a third time in four years.

Outraged by the unsightly way in which the oil companies maintained their operations throughout the community, incorporation proponents would not surrender. They continued investigating irregularities in the October 1963 protest submissions. In



November 1963, they submitted a writ of mandate in Orange County Superior Court to compel the BOS to set aside the resolution terminating the Yorba Linda incorporation and hold an election on the matter. The court's final judgment against Yorba Linda was filed in late April 1964, and incorporation proponents filed a notice of appeal in June.

While the District Court of Appeals considered the issue, the cities of Anaheim, Brea, and Placentia each made annexation overtures to Yorba Lindans, hoping to annex the entire community into one of the surrounding cities. The discussions with Anaheim culminated in a 1965 election, where voters decided against annexing to Anaheim. Further, in November of that same year, the *Yorba Linda Star* published a four-page spread touting the benefits of merging with the City of Placentia. Before the issue was brought to a vote, however, the Appellate Court issued its verdict: the BOS had improperly considered the incorporation protests, and Yorba Lindans would be given the right to vote on incorporation. Though the BOS appealed the decision to the California Supreme Court, the Supreme Court upheld the Appellate Court's verdict and the BOS was forced to set the city boundaries and call an election.

The incorporation election was held October 24, 1967. Of the 2,601 voters who went to the polls, 1,963 voted in favor of incorporation and 683 voted against it. Incorporation efforts were, at long last, victorious.

The city population, just fewer than 12,000 at the time of incorporation, is now more than 65,600. The original 2,864 acres that comprised the original city is now approximately 12,715 acres, and the city's boundaries now extend to the Riverside County line on the east.





History of the Yorba Linda Water District

This section was derived from a district history written by Mike Robinson, Public Information Officer of the Yorba Linda Water District. This is his text, though slightly revised.

The present Yorba Linda Water District was formed in 1960, principally to acquire, improve, and extend the existing mutual water system, which had served the area well for the preceding fifty years. The mutually held Yorba Linda Water Company was incorporated in December 1909 to furnish water to the Yorba Linda tract, a then raw, semi-desert land being developed by the Janss Development Company.

The mutual water company was governed by a Board of Directors elected by the stockholders of the company. These directors served for little monetary compensation but garnered tremendous personal satisfaction seeing the area develop from a dry farming economy into an irrigated agricultural community of small ranches containing beautiful green groves of oranges and avocados.

The mutual water company served the area well until after World War II, when Yorba Linda became attractive for residential development. Families bought property and built



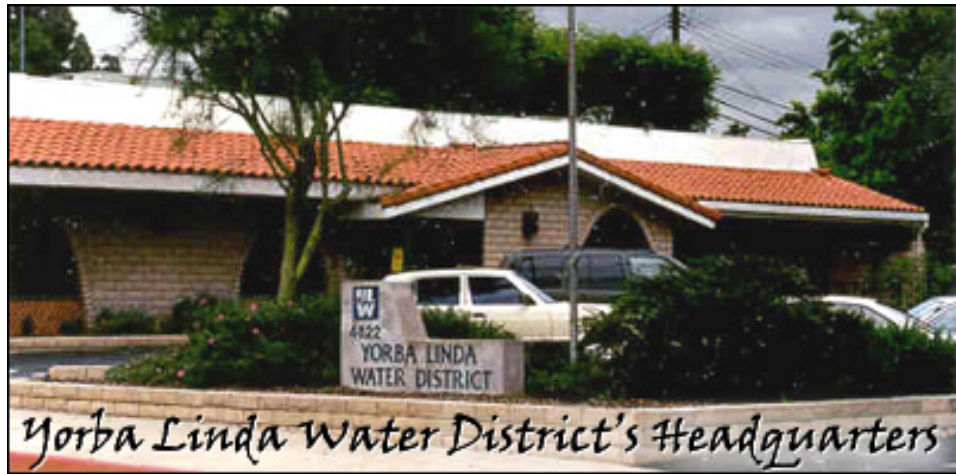
homes in order to raise their children in a country atmosphere, and the mutual water company could no longer keep up with the water system improvements necessitated by the rapidly growing community. Further, the company could not access the county sewer collection system. Forming a county water district seemed the best alternative.

The Yorba Linda County Water District (YLWD) was approved by over two-thirds of the voters in a September 1959 election. The district formed under the California County Water District Act and acquired the mutual water company's assets on January 1, 1960. In 1985, the YLWD Board of Directors, seeking a more accurate identification as an independent special district, dropped the word "County" from the district's name.

When the district began operations in 1960, it provided water service to about 1,500. By 1999, YLWD had approximately 23,500 water accounts and 15,300 sewer accounts in the



Cities of Yorba Linda, Placentia, Anaheim, and Brea, as well as areas of unincorporated Orange County. Today, the YLWD's service territory spans approximately 14,475 acres, or about 22.6 square miles, of territory and serves an estimated 74,800 customers through approximately 23,000 service connections.





REVIEW & ANALYSIS OF SERVICE PROVISION – CITY OF YORBA LINDA

This section of the report addresses the nine determinations in accordance with Government Code Section 56430. The determinations are statements that draw conclusions based on an analysis of an agency operations and services, infrastructure, population and growth projections, and fiscal data. The nine municipal service review determinations are interdependent and some of the issues related to each may overlap.

Growth and Population Projections

Countywide Growth Trends

As of January 1, 2005, the California State Department of Finance estimated Orange County's official population as 3,056,865 people. With just over 3 million residents, Orange County is the second most populous county in California and the fifth most populous in the nation. In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco.

Orange County's population, according Cal State Fullerton's Center for Demographic Research, will reach nearly 3.5 million people by the year 2020, with a natural increase (i.e., births minus deaths) being the most significant factor contributing to population growth.

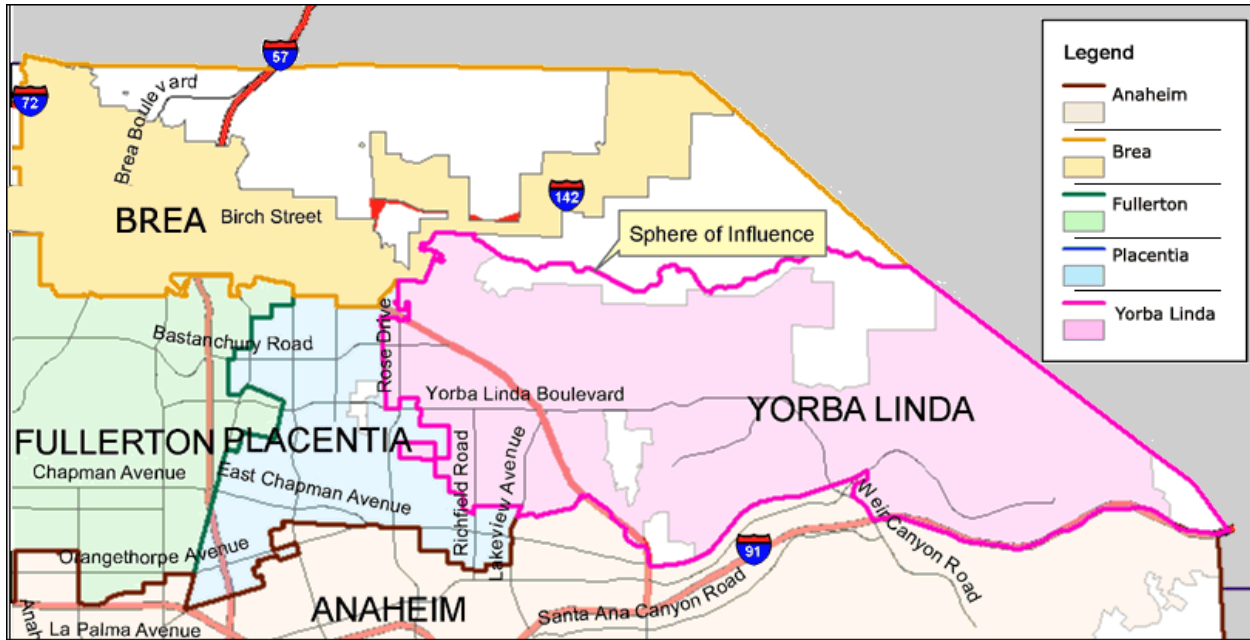
Growth within the City of Yorba Linda

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south.

Figure 4a, City of Yorba Linda and Surrounding Cities demonstrates the City of Yorba Linda's service territory and sphere boundaries in relation to those of nearby cities. The city's service territory is comprised of approximately 12, 715 acres, while its sphere is slightly larger, comprised of about 14,926 acres.

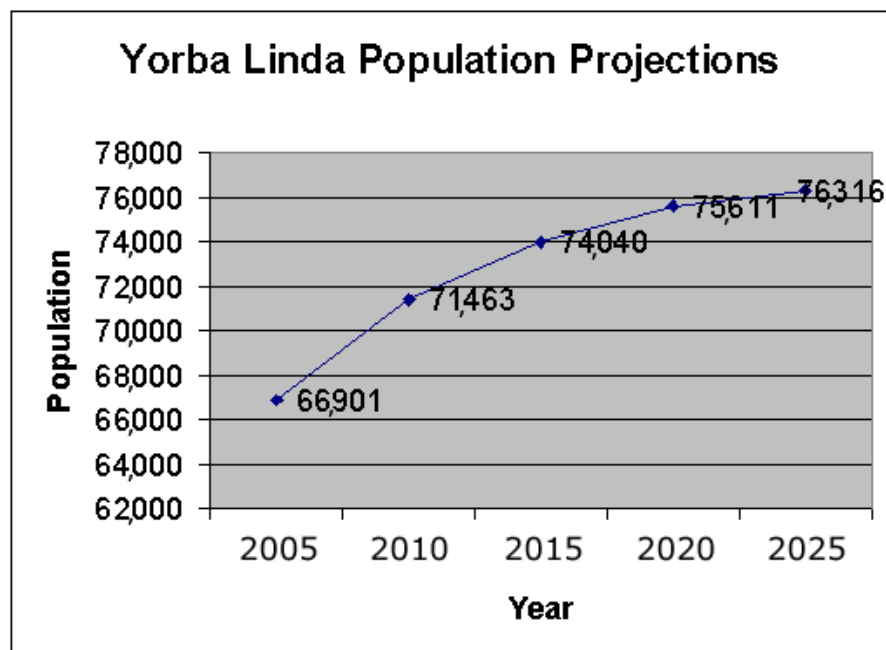


Figure 4a, City of Yorba Linda and Surrounding Cities



According the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents. *Figure 4b, City of Yorba Linda Population Projections*, demonstrates the city's population projections through 2025.

Figure 4b, City of Yorba Linda Population Projections





LAFCO staff did not note any significant issues related to growth and population projections. The city has adequately planned for future growth and associated infrastructure.

Infrastructure Needs & Deficiencies

This determination addresses the adequacy of the existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services.

The City of Yorba Linda provides a wide range of municipal services to its residents, either directly or by contract with other government agencies or private vendors. Those services provided directly by the city include roadway maintenance and repair, landscape and trail maintenance, community planning, building services (e.g., plan checks, permits, and inspections), code enforcement, street sweeping, civil engineering, storm drain and sewer maintenance, weed abatement, business licensing, park maintenance, park and recreation services and programs, emergency preparedness, redevelopment, and library services. *Table 4a, City of Yorba Linda Municipal Service Provision*, details services provided by the city and by contract.

Table 4a, City of Yorba Linda Municipal Service Provision

Service	Current Provider
Animal Control	County of Orange
City Attorney	Best, Best & Krieger, LLP
Planning/ Redevelopment	City of Yorba Linda
Fire/Paramedic	Orange County Fire Authority
Library	City of Yorba Linda
Park & Recreation	City of Yorba Linda, Yorba Linda/Placentia YMCA
Planning & Zoning	City of Yorba Linda
Police	City of Brea
Public Works	City of Yorba Linda Private Contractors (various)
Redevelopment	Yorba Linda Redevelopment Agency
Solid Waste Collection/Recycling	Yorba Linda Disposal
Street Maintenance & Infrastructure	City of Yorba Linda
Water & Wastewater	City of Yorba Linda (sewer), Yorba Linda Water District (water and sewer), Golden State Water Company (water)



Public Services

Fire Services

The City of Yorba Linda is part of the Orange County Fire Authority's (OCFA) Structural Fire Fund, which means a portion of Yorba Linda residents' individual property tax bills pay for the fire protection and paramedic services provided to the city by OCFA. OCFA has three fire stations within the City of Yorba Linda, from which it responded to nearly 5,000 calls in 2004. *Table 4b, OCFA Fire Station Statistics*, provides more complete information about the three stations that serve the City of Yorba Linda.

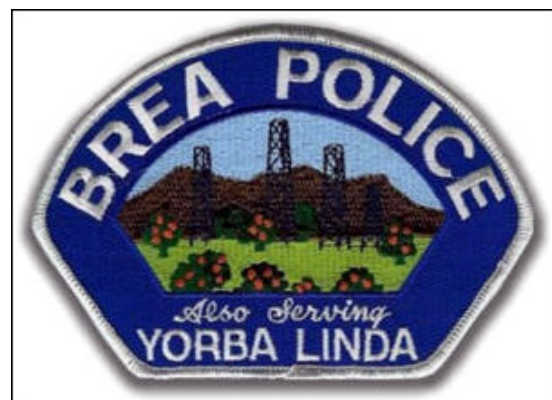
Table 4b, OCFA Fire Station Statistics

Station Location	Est'd	Staffing	2004 Calls
OCFA Fire Station #10 18422 E. Lemon Drive Yorba Linda, CA 92886	1931	3 Captains, 3 Engineers, 9 Firefighters, Reserve Firefighters	1,775
OCFA Fire Station #32 20990 Yorba Linda Blvd. Yorba Linda, CA 92886	1976	3 Captains, 3 Engineers, 9 Firefighters, Reserve Firefighters	2,607
OCFA Fire Station #53 25415 E. La Palma Yorba Linda, CA 92886	1990	3 Captains, 3 Engineers, 3 Firefighters	546

Police Services

For more than 30 years, the City of Yorba Linda has contracted with the City of Brea Police Department (PD) for law enforcement and police protection services. The Brea PD provides police services to more than 94,000 residents and a daytime population of more than 150,000 in the cities of Brea and Yorba Linda. This includes 24-hour patrol seven days a week. The department's central station is located in the Brea Civic Center, but the department also maintains a substation in Downtown Brea and an administrative office in Yorba Linda near Arroyo Park.

The Brea PD offers a number of community-oriented services, including a Bicycle Safety Program, Explorers Program, Citizen's Academy, Community Action Patrol, and several traffic safety programs. The department also operates the "Skills and Assets for Excellence," or S.A.F.E., program in the local schools, which concentrates on





developing students' "development assets" in an effort to reduce future alcoholism, illicit drug use, risky behavior, and violence as a mean to resolve conflict.

According to an October 2005 survey conducted by the *Orange County Register*, of 22 police agencies within Orange County, the Brea Police Department was among seven departments countywide receiving the highest overall rating. The *Register* survey measured police agencies' effectiveness in eight categories: response time, citizens per officer, homicide clearance, violent crime clearance, property crime clearance, burglary clearance, violent crime rate, and property crime rate.

Law enforcement expenditures continue to represent the majority of the city's discretionary spending. Police services combined with other public-safety related expenses account for some 37 percent of the city's General Fund operating expenditures.

Library Services

The City of Yorba Linda has its own public library located at 18181 Imperial Highway. Originally an independent special district, the library was dissolved as a special district and became a city department in July 1985.



Completely remodeled in 1992, the Yorba Linda Public Library now boasts a collection of more than 120,000 books, 6,000 audio tapes, 3,000 video tapes, and 400 magazine/periodical subscriptions, as well as numerous electronic resources. The library offers a variety of programs to its patrons, including book clubs, discussion groups, story times, and a summer reading program. The library maintains its own website at www.ylpl.lib.ca.us.

Parks & Recreation

The City of Yorba Linda currently maintains some 135 acres at nineteen local park and recreational facilities. These include typical baseball fields and multipurpose open spaces, as well as more specialized uses, including equestrian trails, lighted tennis courts, beach volleyball courts, horseshoe pits, and gymnasiums, such as the 7,350-



square-foot-gymnasium at the Travis Ranch Activity Center and the 22,500-square-foot gym at the Thomas Lasorda Jr. Field House.

The city offers a variety of youth, teen, adult, and senior recreation programs. These include anything from cooking to dance lessons, chess to music lessons, and more traditional offerings, such as basketball, volleyball, and softball leagues. The city also maintains the Yorba Linda Community Center at 4501 Casa Loma.

Beyond the city offerings, the residents of Yorba Linda have access to the facilities and programs offered by the Yorba Linda/Placentia YMCA located at 1833 Lemon Drive. The YMCA offers youth and adult recreational sports leagues, parent/child programs, camp, and a backyard swim program.



Redevelopment

The City of Yorba Linda established the Yorba Linda Redevelopment Agency and a single redevelopment project area – approximately 2,640 acres in the eastern portion of the City of Yorba Linda – in May 1983. In July 1990, the city amended the project area, extending it to include another 344 acres in the city's commercial town center. The agency's scope is the rehabilitation and redevelopment of blighted areas within the city's territorial limits. The city's mayor serves as the agency's chairperson, and city staff provides management assistance to the agency.

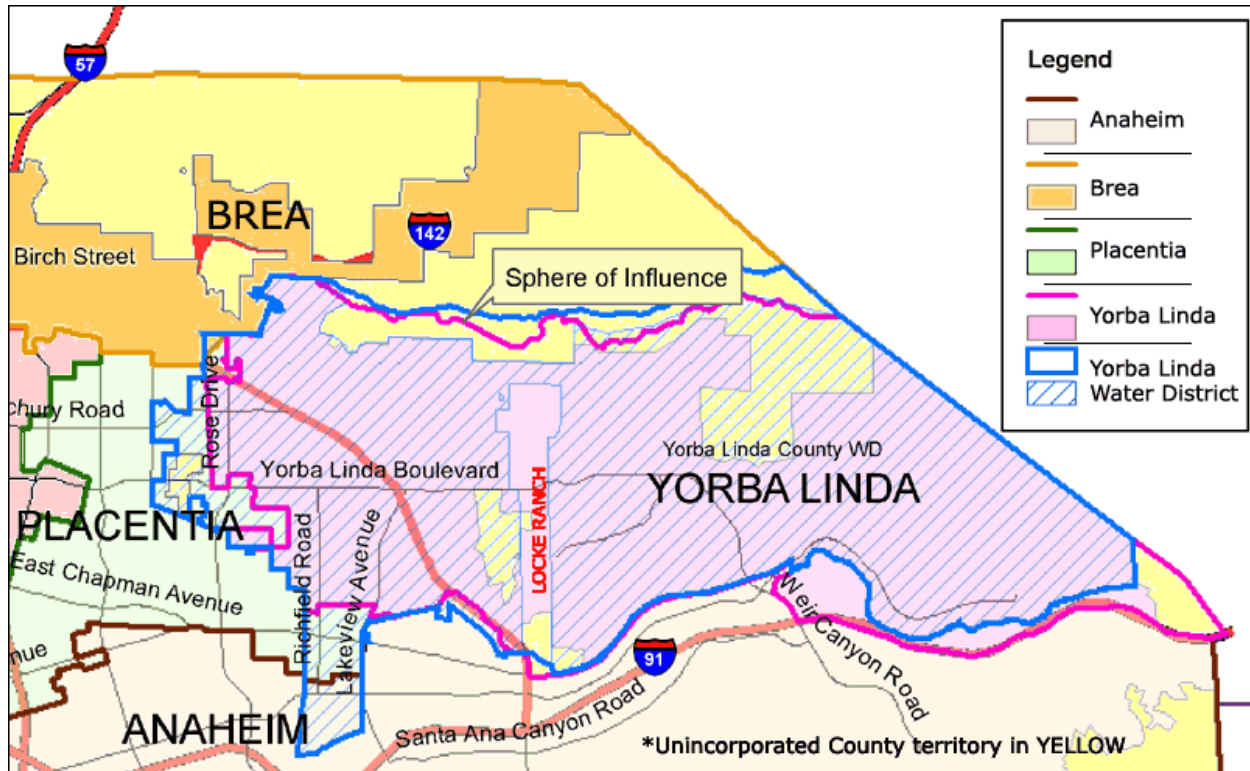
Further, the city and redevelopment agency jointly formed the Yorba Linda Public Financing Authority by execution of a joint powers agreement in July 1989. A five-member board comprised of the city council governs this entity, the mayor serving as the chairperson.

Water & Sewer Service

The Yorba Linda Water District (YLWD) provides water service to the entirety of the City of Yorba Linda, with the exception of the area known as "Locke Ranch," which receives its water service from Golden State Water Company (GSWC), a private water purveyor. *Figure 4c, YLWD Service Territory*, demonstrates YLWD's service territory in relation to the City of Yorba Linda and the Locke Ranch area.



Figure 4c, YLWD Service Territory



As a result of a 1977 agreement entered into by YLWD and the City of Yorba Linda, sewer service within the City of Yorba Linda is divided between the city and YLWD. The city's jurisdiction for planning, construction, and sewer facilities maintenance basically begins at the eastern boundary of Locke Ranch and continues to the city's eastern boundary. YLWD provides sewer services to the Locke Ranch area and some nearby territory via out-of-area agreements with the city and to the majority of western Yorba Linda.

Further, there is an area of overlapping jurisdiction within the city's sewer territory, as a portion of the city's sewer system drains into the district's sewer infrastructure in Locke Ranch. Because inadequate maintenance of the city sewers could adversely impact the district's system, the city maintains responsibility for the planning and construction of capital improvements in the overlap area, while the district is responsible for its maintenance. YLWD bills sewer maintenance charges directly to the affected customers.

The city's Department of Public Works has made inquiries into the possibility of transferring ownership and responsibility of the city's sewer infrastructure and service provision. Since YLWD owns and operates the city's entire water system and half the city's sewer system, the district is considered the most likely candidate and has



expressed interest in assuming the city's sewer system. However, the city is examining all of its options in this regard, including transfer to a private purveyor. The city recently hired a consultant to conduct a feasibility study but has not indicated when it anticipates the study to be completed, saying only that it is not currently in a position to indicate if or when it will pursue the transfer of its sewer infrastructure and service provision obligations to YLWD or another entity.

City Infrastructure & the Capital Improvement Program

The City of Yorba Linda relies upon citywide lighting and landscape assessment districts to fund its extensive system of local and arterial street landscaping, trails, and greenbelts, as well pay for traffic signal maintenance and local and arterial street lighting. All residential and commercial property in the city is assessed a fee, which is included on the property tax bill. The city believes that this infrastructure is a major contributor to the community's overall quality of life and property values.

Maintenance of the city's infrastructure (e.g., roads, storm drains, sewers, traffic signals, street lighting, and landscaping) falls on the city's Department of Public Works. In addition to managing the day-to-day maintenance of the city's infrastructure, a snapshot of which is captioned below as *Table 4c, City of Yorba Linda Infrastructure Facts*, the department also designs and constructs new public facilities and is responsible for major capital improvements to the city's existing facilities.

Table 4c, City of Yorba Linda Infrastructure Facts

Infrastructure Facts	
Streets	213 centerline miles
Sewers	65 miles
Storm Drains	26 miles
Multi-use Trails:	77 miles
Horse Trails	30 miles
Pedestrian/Bicycle Trails	47 miles
Street Trees	27,583
Traffic Signals	49
Street Lights	27,583
Bridges	10

The city adopted its latest seven-year Capital Improvement Program (CIP) in 2005, and it covers Fiscal Years 2005-2006 through 2011-2012. The CIP outlines all proposed capital projects for the seven-year period and identifies their funding sources. *Table 4d, City of Yorba Linda Capital Improvement Program*, provides a CIP summary by



category. "Tier 1" projects are those the city intends to initiate during the current two-year budget cycle (2005-2006 and 2006-2007), while "Tier 2" represents projects the city will tackle in the last five years of the CIP.

Table 4d, City of Yorba Linda Capital Improvement Program

Category	Two-Year Tier 1 Budget	Tier 2 Requirement
Municipal Buildings	\$ 410,000	\$ 4,880,000
Street Improvements	\$ 13,992,000	\$ 21,688,000
Landscape Maintenance	\$ 6,275,000	\$ 7,950,000
Traffic Control	\$ 1,750,000	\$ 2,895,000
Sewers & Storm Drains	\$ 3,775,000	\$ 7,465,000
Parks & Recreation	\$ 350,000	\$ 7,100,000
Miscellaneous Projects	\$ 5,050,000	\$ 2,100,000
TOTAL:	\$ 31,602,000	\$ 54,078,000
High priority projects include: <ul style="list-style-type: none">♦ Widening of Bastanchury Road from Eureka Avenue to Rose Drive (\$3.3M)♦ Construction of a pedestrian bridge over Imperial Highway from the Yorba Station Shopping Center to Town Center (\$3.1M)♦ Installation of storm drain facilities near Via del Caballo, which experienced flooding over the past year (\$1.5M)♦ Construction of landscaped median islands on Esperanza Road from west city limits to Yorba Linda Boulevard (\$1.9M)♦ Installation of landscaping on the south side of Esperanza Road to provide scenic buffer to the Anaheim sound wall and beautify the street (\$3.3M)		

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The City of Yorba Linda has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.

Financing Constraints & Opportunities

Revenues

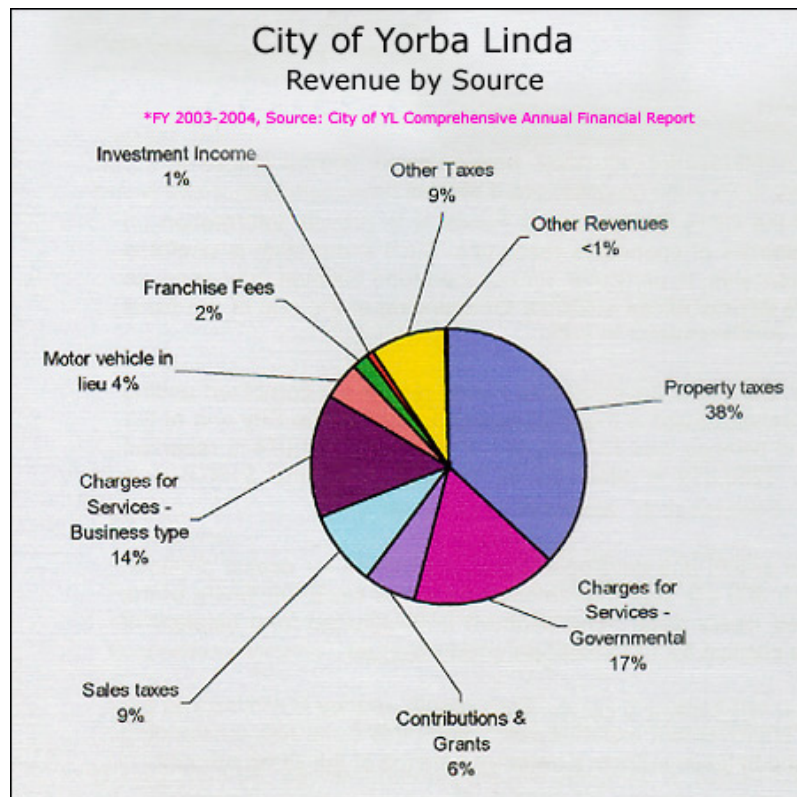
As demonstrated in *Figure 4e, City of Yorba Linda Revenue by Source*, the City of Yorba Linda depends on revenues from a variety of sources. The city's primary revenue sources include property tax, sales tax, and development fee revenue. These monies are funneled into the city's General Fund, the primary source of funding for most city



operations. Some of the money deposited into the General Fund – sales tax, for example – is discretionary and can be used for any purpose. Other revenues, like fees collected for park and recreation classes, come with spending limitations. Certain revenues sources, such as development fees, are subject to the relative strength and weakness of the economy, while others, such as property tax, are more constant.

Beyond tax revenues and fees collected for specific services, the City of Yorba Linda's General Fund also receives substantial monies from the State. These include Vehicle License Fees and law enforcement grants that are annually subject to the State legislature's political discretion.

Figure 4e, City of Yorba Linda Revenue by Source



Like other local government agencies throughout California, the City of Yorba Linda was impacted by the State's fiscal woes. In order to address the State's ongoing fiscal crisis, the State legislature instituted a number of changes in how local revenues are allocated with the adoption of its budget. The four primary local tax revenue funds involved are sales and use taxes, Vehicle License Fees (VLF), property taxes, and Educational Revenue Augmentation Funds (ERAF). The largest impact to the city will be a result of reductions in property tax revenues over the next two years. The city,



however, does not anticipate suffering any adverse effects as a result of the State's tax shifts. The preface to the city's adopted budget for FY 2005-2007 states, "In theory, the Triple Flip and lost VLF revenue should have no impact on the City of Yorba Linda, so long as the State maintains all of the appropriate backfill mechanisms."

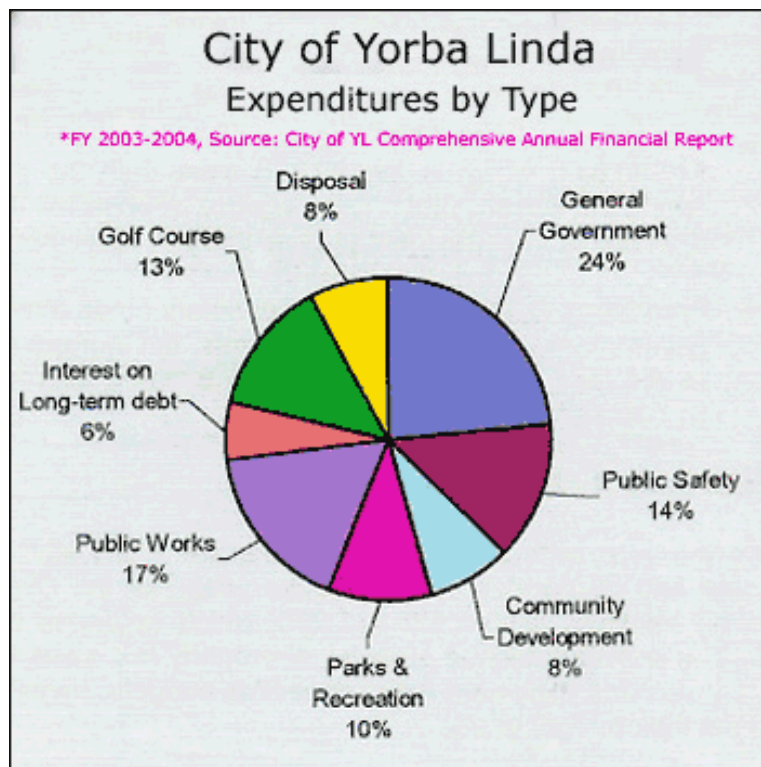


The city's sales tax income was also adversely affected by the recent of the Home Depot relocation to Anaheim. Though the city will reap the sale tax benefits of a new Kohl's department store at its Savi Ranch shopping center, the net sales tax loss associated with the Home Depot relocation is projected to be \$180,000. Even so, overall projected sales tax revenue for FY 2005-2006 reflects a 3 percent growth factor.

Expenditures

The City of Yorba Linda's expenditures vary by year. However, *Figure 4f, City of Yorba Linda Expenditures by Source*, is representative of the city's expenditures over the course of a typical Fiscal Year.

Figure 4f, City of Yorba Linda Expenditures by Source





As demonstrated in *Table 4g, City of Yorba Linda Revenues vs. Expenses*, the City of Yorba Linda is currently in a stable financial position.

Table 4g, City of Yorba Linda Expenses vs. Revenues (FY 2003-2004)

CITY OF YORBA LINDA Two-Year General Fund Budget		
	2005-06	2006-07
Opening Fund Balance	\$ 27,495,517	\$ 26,134,847
Plus Annual Revenue	\$ 26,077,450	\$ 26,810,860
TOTAL RESOURCES AVAILABLE:	\$ 53,572,967	\$ 52,945,707
Operating Expenditures		
City Council	\$ 191,825	\$ 191,750
City Manager/Administration	\$ 1,742,345	\$ 1,447,400
Risk Management	\$ 827,900	\$ 827,900
City Clerk	\$ 401,500	\$ 456,500
City Attorney	\$ 300,000	\$ 300,000
Finance	\$ 693,350	\$ 689,925
General Government	\$ 295,900	\$ 291,150
Police	\$ 9,298,025	\$ 9,651,000
Community Development	\$ 2,873,750	\$ 2,796,925
Public Works	\$ 3,348,275	\$ 3,175,125
Parks & Recreation	\$ 5,155,850	\$ 5,125,925
TOTAL OPERATING EXPENDITURES:	\$ 25,128,720	\$ 24,953,600
ANNUAL OPERATING SURPLUS:	\$ 948,730	\$ 1,857,260
Miscellaneous Transfers to Other Funds	\$ 229,400	\$ 228,600
Transfers to Capital Projects Fund	\$ 380,000	\$ -
Transfers from General Fund Reserve	\$ 1,700,000	\$ 1,130,000
CLOSING FUND BALANCE:	\$ 26,134,847	\$ 26,633,507

The City of Yorba Linda uses a biennial budget process and adopted its most recent budget adopted for Fiscal Year (FY) 2006-2007. The City of Yorba Linda's total project General Fund revenue for 2005-06 is \$26,077,450, which represents a \$1,005,696 increase, or 4 percent, over the anticipated revenue for FY 2004-2005. For FY 2006-2007, city staff projects revenues of \$26,810,860.

For FY 2005-2006, the proposed General Fund operating expenditure budget is \$25,128,720, which reflects a 13 percent increase over the estimated expenditures for FY 2004-2005. In FY 2006-2007, the budget is projected to decrease by 1 percent to



\$24,953,600 due to higher than normal expenditures in the first year associated with various technology initiatives.

Looking at the total annual revenue and operating expenses, the city expects to end FY 2005-2006 with a \$948,730 surplus. In FY 2006-2007, the city projects an improved revenue over expenditure picture of approximately \$1,857,260.

The proposed expenditures, along with transfers for capital improvement projects and reserves, result in balanced budgets for FY 2005-2006 and FY 2006-2007. Using opening fund balances, adding projected revenues, and subtracting expenditures and transfers, the city is projected to maintain closing General Fund balances of \$26,134,847 for FY 2005-2006 and \$26,633,507 for FY 2006-2007.

Staff did not note any significant issues regarding financing constraints.

Evaluation of Management Efficiencies / Cost Avoidance / Opportunities for Shared Facilities

While these are three separate determinations, management efficiencies, cost avoidance, and facilities sharing are interrelated. The City of Yorba Linda, like other public agencies, must maintain an efficient management system while providing services in a cost effective and logical manner. The city does this in a variety of ways.

Management Efficiencies

Establishment of Goals & Priorities

The Yorba Linda City Council and city manager convene in a special session each year to identify and prioritize a list of annual goals focused on projects and programs. This strategic planning practice helps the city manager and her staff to focus their energies and resources throughout the year.

Technological Enhancements

One of the key goals established in conjunction with the city's current two-year budget (FY 2005-2007) is a series of technology initiatives that will make city services more accessible to the public and reduce the city's operating expenses.

Document Archiving

The city recently installed a document archiving system that allows city staff to scan, store, and retrieve documents electronically. To date, the city has used the system to archive its ordinances as well as its city council and redevelopment agency minutes and resolutions. City staff will add other vital and historical documents to the system in the



coming months in preparation for the anticipated July 2006 launch of a document retrieval component on the city's public website.

Online Registration

The city's Parks & Recreation Department will soon introduce online registration for its classes and programs. The registration system will allow the public to register and pay for classes via the Internet from the comfort of their homes or businesses. The city is in the process of beta testing the system and anticipates open access to the system beginning August 1, 2006, for enrollment in the fall class schedule.

Automated Library Services & Online Catalog

The city-operated Yorba Linda Public Library (YLPL) had previously partnered with the Anaheim and Placentia public libraries to share an automated library system.



Recent advances in technology, however, made it possible for YLPL to migrate to a stand-alone system at a lower cost.

YLPL recently implemented its new automated library system in-house, along with an electronic interface to the system on its website. The new system allows the library's patrons to search the entire library catalog more quickly and efficiently, but that is only the beginning. The new system added a fourth library check-out station, as well as an easy to

use "self check-out" station, both of which have reduced patron wait times. Further, as a result of implementing the new system, the library can now accept credit and debit cards for the payment of fees. The library will realize additional benefits in the coming months, too, including a kid-friendly user interface, which allows the youngest of its patrons to search the library catalog by clicking on pictures representing various subject matters rather than typing words.

YLPL's new automated library system has resulted in advances in service efficiency as well as cost savings. The cost savings realized will, among other things, allow the library to expand and enhance its current collection.

Planning & Development Online

Members of the public can now obtain simple building permits, pay permit and inspection fees, request building inspections, and obtain final inspection results via the



Internet. The city is also developing a telephone-based automated building permit inspection system that will allow users to call in "24/7" to request an inspection or check a permit's status. The telephone-based system is expected to be operational within the next year. Further, the city eventually plans install a system that will allow its building inspectors to access and update building permit and inspection information from the field.

"At Your Finger Tips"

The city has developed an automated resident information service called "@ Your Finger Tips," which is available through the city's website or by phone at (714) 854-7411. The system contains over 150 messages about city services ranging from animal control to zoning. The system is available "24/7" and has reduced the number of live phone calls to the city from persons seeking routine information. City staff is thus freed up to perform other tasks and duties.

Shared Facilities

The City of Yorba Linda has a joint use agreement (JUA) with the Placentia-Yorba Linda Unified School District, which enables the city to use the school district's facilities after school hours. The JUA includes four amendments for specific school/park sites, securing joint development and maintenance of the facilities, in addition to joint use. The city and school district share maintenance costs for these facilities on a pro-rata basis determined by each agency's hours of use.

In addition to the JUA, a lease agreement between the city and school district permits the operation of the Yorba Linda City Hall on school district property. The agreement enabled the city to save considerable land costs when the city hall was erected, and per the terms of the agreement, the city is responsible for the facility's maintenance.



The city also has a tri-party agreement with the City of Anaheim and County of Orange for the use of Yorba Regional Park's athletic fields. The cities jointly use the athletic fields for local programs and split the maintenance costs on a pro-rata basis, with each agency paying for its respective use.



Other Cost Avoidance Mechanisms

The City of Yorba Linda contracts with various public and private entities as a means to promote efficiency and save money. For example, the city contracts with Best, Best & Krieger, LLP, for legal counsel, and Yorba Linda Disposal provides trash collection and recycling services to the city's residents through a contract with the city. Further, as explored earlier in this report, the City of Brea Police Department (PD) provides law enforcement and police protection services to the City of Yorba Linda. Yorba Linda is the only city in Orange County that contracts with another city of law enforcement services.

The city's parks and recreation department has executed several contracts for maintenance provision at the city's park sites. These contracts pair the city's small parks maintenance crew with private landscape maintenance firms, which results in improved park upkeep at a reduced cost to the city's residents. Additionally, the city has a number of service contracts for specialized maintenance in the city's parks and



public buildings. The city awards these contracts via a competitive bidding process, which enables the city to secure services for the lowest possible cost.

Further, the city's Department of Public Works provides many of its services through private contractors. These services include: asphalt and concrete repair; traffic signal operations and maintenance; roadway striping; sewer and storm draining cleaning and repair; street light maintenance; tree and landscape

maintenance; traffic engineering; and engineering support services, including plan and map checking, design, construction management, and inspection.

The city has utilized private contractors to provide city services at reduced costs since its incorporation. The city has not recently surveyed its actual cost savings, so concrete facts and figures are not available for this report.

Opportunities for Rate Restructuring

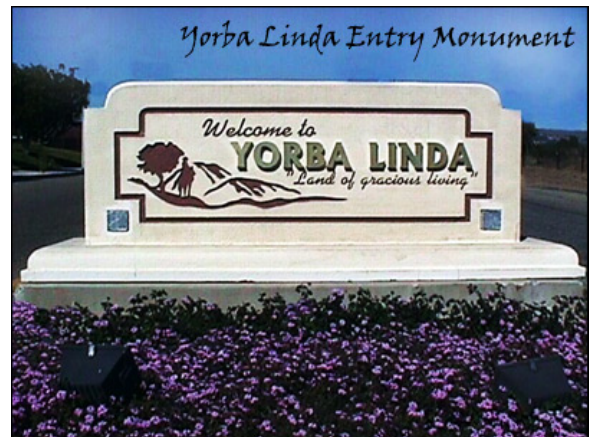
The Yorba Linda City Council adopts an updated fee schedule on a biennial basis in conjunction with the city's two-year budget cycle. The latest fee schedule, adopted by the city council in August 2005, reflects full cost recovery for services provided



whenever possible. Ratepayers are charged fees commensurate with the city's costs for providing specific services rather than the city subsidizing services through its General Fund.

A very successful example of the city's cost recovery approach is its rate structure for planning and development services. In recognition that developers are the primary beneficiary of such services, the city sought to migrate from a fixed-fee approach to one that facilitated full cost recovery – in this case, the city hoped to recoup the direct costs related to development applications submitted to the city for approval, plus applicable overhead expenses.

To establish the new fee system, the city hired a private planning consultant to comprehensively study and determine the city's actual planning and development services costs. At the conclusion of the study in 2002, the city council implemented a new fee structure. It requires fee deposits be established for the majority of fee-based development and inspection services. The city then charges an hourly rate for its planning and development services based on the actual costs associated with providing those services. Those hourly fees are then charged against the established deposit.



As an aside, the consultant study included a rate evaluation, which compared the city's rates with those of five neighboring jurisdictions. The study determined that Yorba Linda's planning and public works hourly rates were similar to those of the other five jurisdictions. Further, the study found Yorba Linda's building permit fees comparable those of the Cities of Fullerton, Placentia, and Orange, but significantly less than those charged by Anaheim.

Staff did note any significant issues related to the city's current rate structure or fee schedule.

Government Structure Options

This determination requires LAFCO to examine possible government structure options. These include the annexation/detachment of territory to the city, as well as potential consolidation or reorganization with other service providers.



Consolidation or Reorganization with the Yorba Linda Water District

The complicated provision of water and sewer service in Yorba Linda is explored in great detail in Section 6 of this report, *Review & Analysis of Service Provision – Yorba Linda Water District*, beginning on page 45.

The City of Yorba Linda primarily relies on two entities for the provision of retail water service within its corporate boundaries: the Yorba Linda Water District (YLWD) and Golden State Water Company (GSWC), a private water purveyor. GSWC's service territory is confined to a small area near the center of Yorba Linda commonly referred to as Locke Ranch. YLWD provides water to the remainder of the city. While YLWD's service territory does not include the entirety of the city, YLWD extends water service provision to some areas beyond the district's service territory, including the Savi Ranch commercial center, through out-of-area agreements with the city.

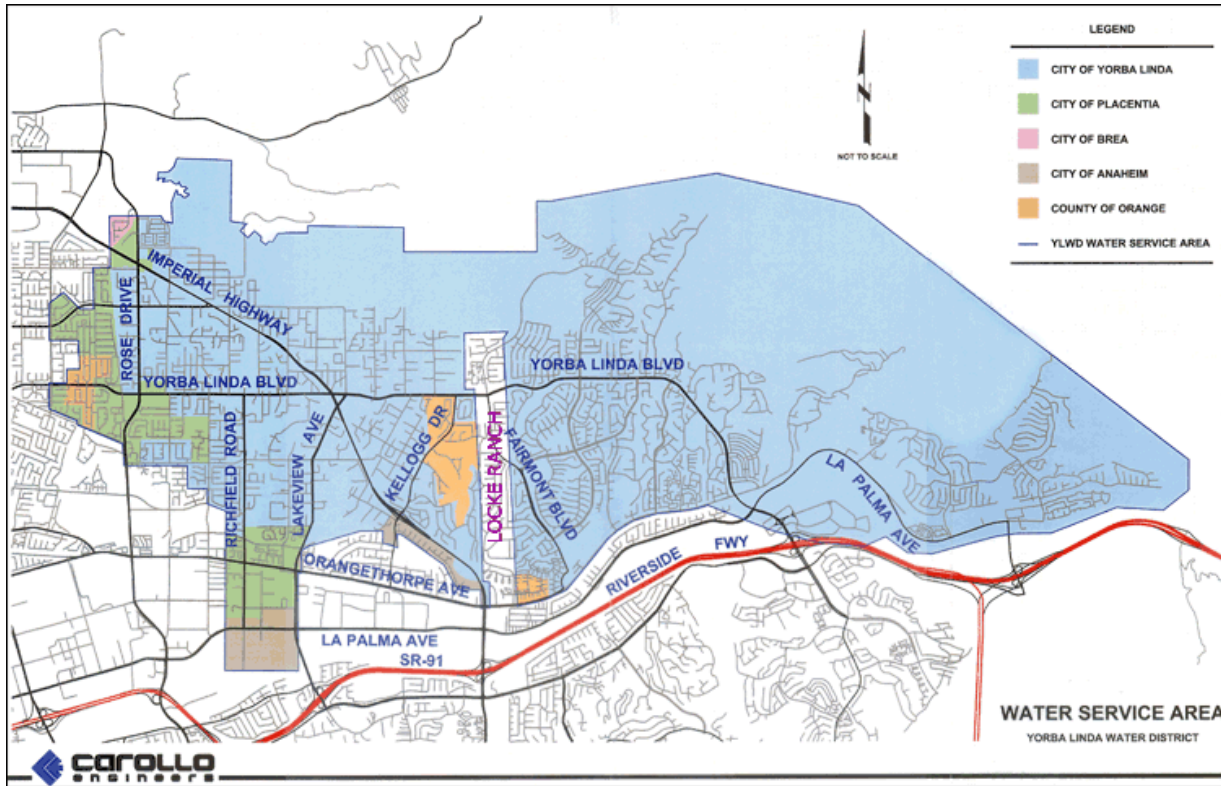
Additionally, the city shares responsibility for sewer service provision with YLWD. As a result of a 1977 agreement between the two agencies, the district provides sewer service to the majority of western Yorba Linda, while the city provides sewer service to the eastern half of the city. The agreement also resulted in one area of overlapping service territory, which is explored in greater detail later in this report.

One potential government structure option for the city is consolidation or reorganization with the Yorba Linda Water District, whereby the district would either merge with or become a subsidiary district of the city. This is an unattractive option for several reasons:

1. Neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization.
2. YLWD, as an independent special district, operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and provides some of the best rates in Orange County.
3. As demonstrated in *Figure 4h, YLWD Service Territory*, YLWD provides water service beyond the city's corporate boundaries, including portions of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.



Figure 4h, YLWD Service Territory



There has been discussion over the years about the City of Yorba Linda relinquishing its sewer service provision and related infrastructure to YLWD. The city recently hired a consultant to conduct a feasibility study and will examine its options, which include transferring its sewer infrastructure and service provision responsibility to YLWD or perhaps a private purveyor. Should the city and district mutually agree to pursue this option in the future, the district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing.

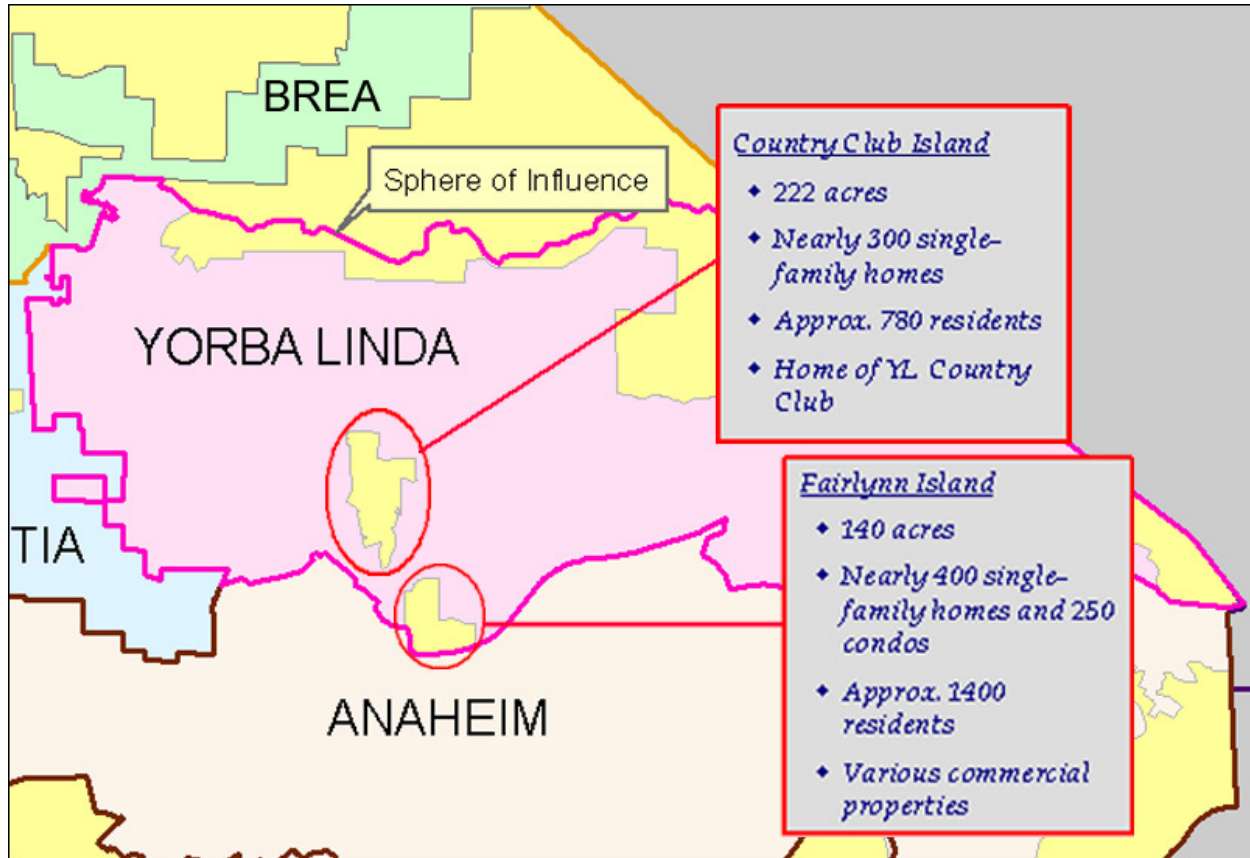
Future Annexations

Unincorporated Islands

Despite its proactive participation in LAFCO's Unincorporated Islands Program, two unincorporated islands remain in the City of Yorba Linda's sphere of influence. They are depicted in *Figure 4i, City of Yorba Linda's Unincorporated Islands*. Commonly referred to as the "Country Club" and "Fairlynn" islands, these two noncontiguous areas encompass approximately 362 acres comprised of more than 900 single-family homes and condominiums, miscellaneous commercial uses, and an 18-hole, 111-acre golf course, the Yorba Linda Country Club. Both areas are substantially built-out and receive municipal-level services from the County of Orange.



Figure 4i, City of Yorba Linda's Unincorporated Islands



The Country Club and Fairlynn islands have been subject to three and four separate annexation attempts by the city respectively. The city's last attempt to annex the islands, coined the "Center City Annexation to the City of Yorba Linda" (CA 02-09), was approved by LAFCO in December 2002 but was subject to protest. The annexation was subsequently defeated by voter protest on March 2, 2004, with a vote of 304 in favor of annexation and 681 against.

The city was particularly frustrated by the failure of its last annexation attempt. Erroneous rumors circulated that the city was seeking to take control of the Yorba Linda Country Club in order to convert it to condominiums. Further, the Orange County Sheriff's Deputies Union blanked the island with literature stating that residents would be better served by the County.

While the city concurs with LAFCO and the County's belief that these islands would be better served by the city, it has no intention of reinitiating annexation proceedings at the current time.



The Murdock Property

The City of Yorba Linda anticipates initiating annexation proceedings for an approximately 600-acre area known as the "Murdock Property," located in the north-central portion of the city's sphere of influence. The city's General Plan Land Use Element designates this area the "Murdock Area Plan" and establishes broad guidelines for the future development of the property, including the maximum permitted density. The city requires that the property be developed according to an approved Specific Plan.

Although the city anticipates many challenges to developing this site, it maintains that recent preliminary discussions with a large developer may trigger a development plan application and subsequent submittal of an annexation application to LAFCO within the next five years.

Reorganization with the City of Anaheim

The City of Yorba Linda anticipates initiating a reorganization with the City of Anaheim for a less than one acre area along the Imperial Highway. A portion of the right of way on the Imperial Highway, south of Kellogg and north of Orangethorpe, is included in the City of Anaheim's corporate territory. The City of Yorba Linda is interested in acquiring this territory so that it can extend the comprehensively landscaping theme that used throughout the city to aesthetically enhance roadsides and street medians.

The City of Anaheim's city council adopted a resolution supporting the City of Yorba Linda's request to reorganize this territory, which would entail a detachment from the City of Anaheim and concurrent annexation to the City of Yorba as well as sphere of influence amendments for both cities reflective of change of organization. However, the California Department of Transportation (Caltrans) has jurisdiction over a portion of the Imperial Highway in the vicinity of the Esperanza Road, where it proposes to construct a railroad overcrossing. Construction is tentatively scheduled to begin in January 2007 and anticipated to take two years to complete. Due to potential liability issues during construction, the City of Yorba Linda will not pursue this reorganization with LAFCO until Caltrans completes its project.

Local Accountability & Governance

A five-member city council elected at-large in November of even numbered years governs the City of Yorba Linda. Each serves a fixed four-year term on the city council, and council members are limited to no more than three terms. A person who is appointed to a vacant office for an unexpired term of more than one-half the original



term shall be deemed to have served a full term. *Table 4j, Yorba Linda City Council*, details the city council's current composition.

Table 4j, Yorba Linda City Council

Council Member	Title	Term Details	Compensation
Michael Duvall	Mayor	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	\$500/mo. for council meetings \$30/meeting for RDA meetings (max of 4 per month) \$700/mo. for health coverage \$100/mo. car allowance \$36/mo. phone allowance PERS retirement (current rate is 20.63%)
Allen Castellano	Mayor Pro Tem	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	
Ken Ryan	Council Member	Originally elected 4/2000 (special election); reelected 11/2002; up for reelection in 11/2006	
Keri Lynn Wilson	Council Member	Originally elected 11/2002; up for reelection in 11/2006	
Jim Winder	Council Member	Originally elected 11/2000; reelected 11/2004; up for reelection in 11/2008	

The Yorba Linda City Council convenes on the first and third Tuesday of each month at 6:30pm, in the council chambers at 4845 Casa Loma Avenue. All council meetings are open to the public meetings and televised live on the city's cable channel 3. Further, council meetings are recorded and rebroadcast each Thursday night at 6:30 p.m. on the same channel.

The City of Yorba Linda employs a city manager, who serves as primary staff support to the city council and the city's administrative head. The city manager prepares the city's annual budget and capital improvement plan and is responsible for their administration. Further, the city manager has full authority and responsibility for the city's day-to-day operations, which include the management of city revenues and expenditures, execution of city policies and procedures, and overall supervision of the city's more than 90 full- and part-time employees. The current city manager, Tamara Letourneau, has been in that capacity since November 2004.

The city also has four council-appointed commissions, consisting of five members each. These include the Library Commission, Planning Commission, Parks and Recreation Commission, and Traffic Commission. Each commission meets once or twice a month and makes recommendations to the city council on specific projects. *Table 4k, City of Yorba Linda Commissions*, provides additional detail about each of the city's four commissions.



Table 4k, City of Yorba Linda Commissions

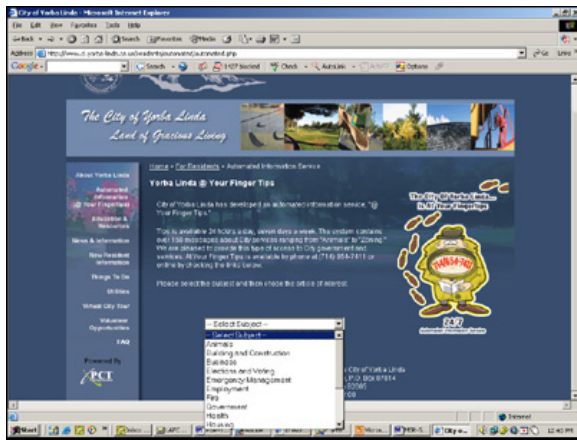
Commission	Purpose	Membership
Library Commission	This five-resident, council-appointed commission provides guidance and advice on such issues as the adoption of standards for library services, the selection of materials, and the establishment of rules and policies. <i>Convenes on the 1st Thursday of each month at 7 p.m. in the Yorba Room at the Yorba Linda Public Library.</i>	<ul style="list-style-type: none"> ♦ Randie Noell, Chair ♦ Lori Katz, Vice Chair ♦ Marilyn Adams ♦ Gene Searce ♦ Vacant <i>Appointed by the city council to fixed four-year terms.</i>
Planning Commission	State law requires every city to have a Planning Commission. The commission advises the city council on matters concerning the growth and development. Further, it reviews and implements the city's General Plan and makes determinations on applications for things like subdivisions, use permits, and other zoning matters. <i>Convenes on the 2nd & 4th Wednesday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i>	<ul style="list-style-type: none"> ♦ Carl W. Boznanski, Chair ♦ James R. Pickel, Vice Chair ♦ Ronald R. Di Luigi ♦ Dennis A. Equitz ♦ Michael J. Haack <i>Appointed by the city council to fixed four-year terms.</i>
Parks & Recreation Commission	The members of this commission advise the city council on park and rec facilities and other matters related to community recreation programs. They also review the annual budget for the Department of Parks & Recreation as well as any capital improvement projects related to park development and maintenance. <i>Convenes on the 3rd Thursday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i>	<ul style="list-style-type: none"> ♦ William G. Gorman, Chair ♦ Mark Thompson, Vice Chair ♦ Paul Doty ♦ Richard C. Pepin ♦ Don Rabbitt <i>Appointed by the city council to fixed four-year terms.</i>
Traffic Commission	Members of this commission study traffic safety and congestion management as well as many other important issues related to city traffic flow. They address citizens' complaints about speeding, parking problems, safety, etc., and may advise the city council on further policy action. <i>Convenes on the 4th Thursday of each month at 7 p.m. in the Yorba Linda City Hall Council Chambers.</i>	<ul style="list-style-type: none"> ♦ James Wohlt, Chair ♦ John Anderson, Vice Chair ♦ Larry Larsen ♦ Sandra Sutphen ♦ Lee Snyder <i>Appointed by the city council to two-year terms.</i>

As part of its commitment to seek additional citizen input on the planning for revitalizing the city's downtown core, the Yorba Linda City Council recently established the 25-member Town Center Blue Ribbon Committee (BRC). The BRC is



comprised of one member from each of the city's four commissions, representatives from nineteen local groups and organizations, and two "at large" resident members.

The BRC is a single-purpose committee charged with gathering public input and ideas on what should be included in the Yorba Linda Town Center. It will use that information to develop a set of conceptual recommendations and guiding principles for future development of the downtown core.



The City of Yorba Linda maintains its own public website at <http://www.ci.yorba-linda.ca.us/>. The website features easily accessible information about the city services, its hours of operation, and location. The site includes the city's automated information service, "@Your Finger Tips," a web and phone-based resource that assists the city's residents find the information they seek about a wide range of city services. The city's website also highlights information on the

Yorba Linda City Council, including a council member listing, the council's monthly meeting time and location, and the council's agendas and meeting minutes.



THE NINE DETERMINATIONS – CITY OF YORBA LINDA

Growth and Population Projections

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. According to the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents.

Infrastructure Needs or Deficiencies

The City of Yorba Linda prides itself on providing high-level municipal services to its residents, both through its own internal departments and through the public and private agencies that serve the city through contract. The city reviews infrastructure needs through its budget and capital improvement projects to ensure that those city services will match projected growth. The city adopted its latest seven-year Capital Improvement Program (CIP) in 2005; it covers Fiscal Years 2005-2006 through 2011-2012. The CIP outlines all proposed capital projects for the seven-year period and identifies their funding sources. The Yorba Linda City Council prioritizes the projects using a tiered system, with "Tier 1" projects being those the city intends to initiate during the current two-year budget cycle (2005-2006 and 2006-2007) and "Tier 2" representing projects the city will tackle in the last five years of the CIP.

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The City of Yorba Linda has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.

Financing Constraints & Opportunities

The City of Yorba Linda uses a biennial budget process and adopted its most recent budget adopted for Fiscal Year (FY) 2005-2007. Like all cities in Orange County and California, the impact of the local revenues shift to the State from the city will result in a



reduction in the city's overall revenues. Even so, the city expects to end FY 2005-2006 with a \$948,730 surplus. In FY 2006-2007, the city projects an improved revenue over expenditure picture of approximately \$1,857,260.

Staff did not note any significant issues regarding financing constraints.

Cost Avoidance Opportunities

All of the City of Yorba Linda's expenditures appear to be based on efficient methods of operation. The city has been diligent in implementing cost avoidance mechanisms wherever possible. For example, the city contracts with various public and private entities as a means to promote efficiency and save money – with Best, Best & Krieger, LLP, for legal counsel, Yorba Linda Disposal for trash collection and recycling services, and the City of Brea Police Department (PD) for law enforcement and police protection services.

Additionally, the city is in the process of implementing a number of technological advancements that will streamline service provision and result in cost savings to the city. These include a publicly-accessible electronic archive of city documents and an automated library system and online database, as well as online access to park and recreation registration and planning and development services.

Staff did not identify any issues related to cost avoidance opportunities.

Opportunities for Rate Restructuring

The Yorba Linda City Council adopts an updated fee schedule on a biennial basis in conjunction with the city's two-year budget cycle. The latest fee scheduled, adopted by the city council in August 2005, reflects full cost recovery for services whenever possible (e.g., planning and development fees). Ratepayers are charged fees commensurate with the city's costs for providing specific services rather than the city subsidizing services through its General Fund.

The city's fee schedule is very much in line with those of other neighboring municipalities. Staff did not identify any opportunities for rate restructuring.

Opportunities for Shared Facilities

The City of Yorba Linda participates in facilities sharing through a joint use agreement (JUA) with the Placentia-Yorba Linda Unified School District, which enables the city to use the school district's facilities after school hours. In addition to the JUA, a lease



agreement between the city and school district permits the operation of the Yorba Linda City Hall on school district property, which enabled the city to save considerable land costs when the city hall was erected.

The city also has a tri-party agreement with the City of Anaheim and County of Orange for the use of Yorba Regional Park's athletic fields. The cities jointly use the athletic fields for local program and split the maintenance costs on a pro-rata basis, with each agency paying for its respective use.

Staff did not identify any additional opportunities for facilities sharing.

Government Structure Options

The City of Yorba Linda could potentially consolidate or reorganize with the Yorba Linda Water District, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including areas of unincorporated Orange County and the Cities of Anaheim, Brea, and Placentia. Further, because YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health, there are no apparent benefits to a consolidation or reorganization at this time.

Two noncontiguous unincorporated County islands remain in the city's sphere of influence: the Country Club and Fairlynn islands. The city has attempted to annex these islands on numerous occasions, most recently in 2002. While LAFCO approved the city's annexation application, it was subject to protest proceedings and was subsequently defeated by voter protest in March 2004. While the city agrees that it could extend municipal-level services to these islands more efficiently and cost effectively than the County, the city has no intention to reinstate annexation proceedings at the current time.

The City of Yorba Linda anticipates initiating annexation proceedings for an approximately 600-acre area known as the "Murdock Property," located in the north-central portion of the city's sphere of influence, within the next five years.

Evaluation of Management Efficiencies

The City of Yorba Linda's organizational structure is sound and efficient. A five-member city council elected at large governs the city. The city council employs a city



manager who has full authority and responsibility for the city's daily operations and overall management of the city's more than 90 full- and part-time employees.

The Yorba Linda City Council and city manager convene in a special session each year to identify and prioritize a list of annual goals focused on projects and programs. This strategic planning practice helps the city manager and her staff to focus their energies and resources throughout the year.

Staff did not identify any issues regarding the city's management efficiency.

Local Accountability & Governance

The Yorba Linda City Council is elected by constituents and is therefore held accountable to the city residents. All city meetings are conducted in public in accordance with the Brown Act.

Further, the City of Yorba Linda maintains a public website, which provides the necessary general information about city services. The city's website also highlights information about the city council and its various commissions. This information includes council/commission member listings as well as monthly meeting times and locations.



REVIEW & ANALYSIS OF SERVICE PROVISION – YORBA LINDA WATER DISTRICT

This section of the report addresses the nine determinations in accordance with Government Code Section 56430. The determinations are statements that draw conclusions based on data related to agency operations and services, infrastructure, population and growth projections, and fiscal data. The nine municipal service review determinations are interdependent and some of the issues related to each may overlap.

Growth and Population Projections

Countywide Growth Trends

As of January 1, 2005, the California State Department of Finance estimated Orange County's official population as 3,056,865 people. With just over 3 million residents, Orange County is the second most populous county in California and the fifth most populous in the nation. In terms of density, Orange County ranks second within California, just behind the County/City of San Francisco.

Orange County's population, according Cal State Fullerton's Center for Demographic Research, will reach nearly 3.5 million people by the year 2020, with a natural increase (i.e., births minus deaths) being the most significant factor contributing to population growth.

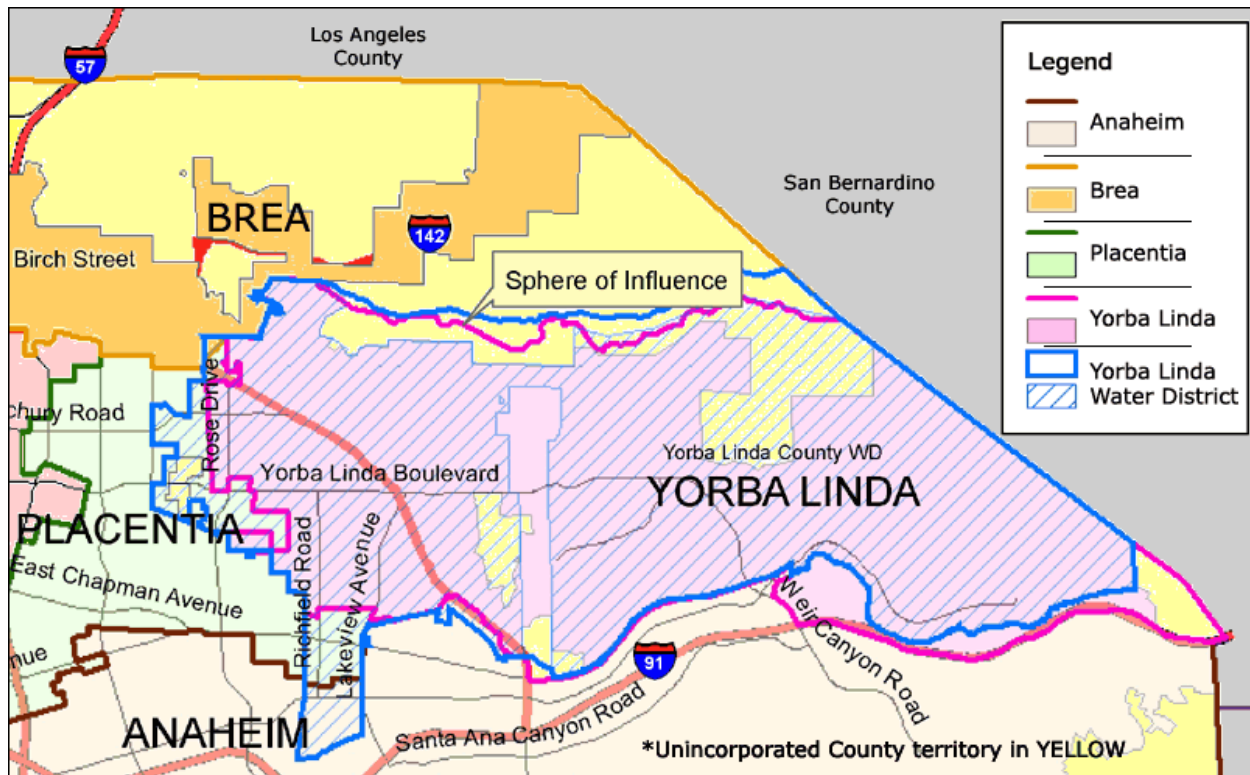
Growth within the Yorba Linda Water District's Service Territory

The Yorba Linda Water District's (YLWD) service territory encompasses about 14,475 acres, or approximately 22.6 square miles, of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The City of Placentia bounds the district's service territory to the west, the City of Brea bounds it to the northwest, and the City of Anaheim to the south. The district's northern service boundary abuts Chino Hills State Park, and the district's eastern boundary is the



Orange/San Bernardino County line. *Figure 6a, YLWD Service Territory*, demonstrates the district's service territory and sphere boundaries in relation to the cities it serves.

Figure 6a, YLWD Service Territory

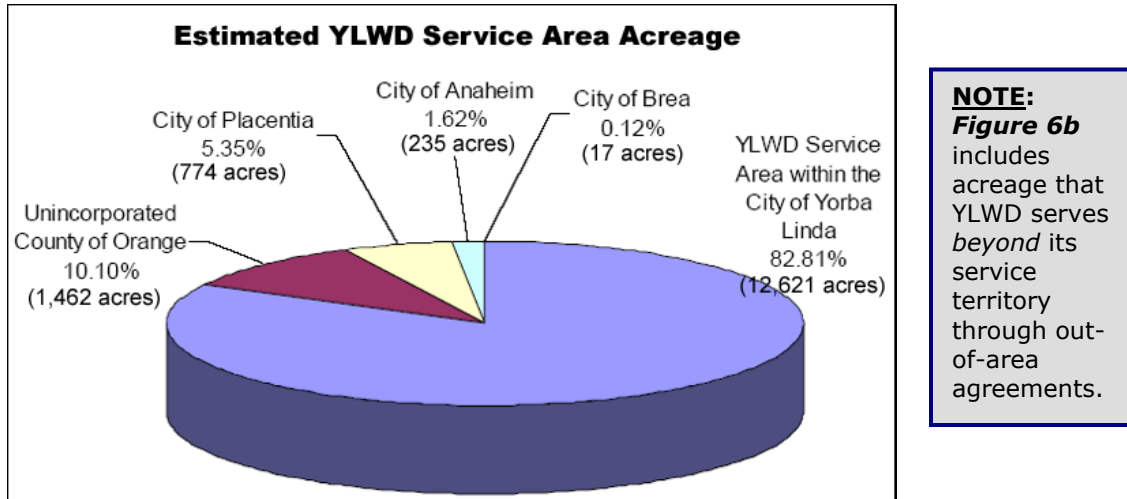


The Yorba Linda Water District provides water service, sewer service, or a combination of both to residents and businesses in the Cities of Yorba Linda, Anaheim, Brea, and Placentia. In addition, the district serves three unincorporated County islands—two in the City of Yorba Linda and one in the City of Placentia—and some unincorporated territory in the City of Yorba Linda's northern sphere. *Figure 6b, Estimated YLWD Service Area Acreage*, captioned on the following page, summarizes the district's total service area by jurisdiction.

The district's service area generally consists of a suburban "bedroom" community of "white collar" professionals. It is 90 percent developed. While there are several commercial and light-industrial centers concentrated in the southern and eastern portions of the district's service area, no heavy industrial activity or manufacturing occurs within the district's service territory.



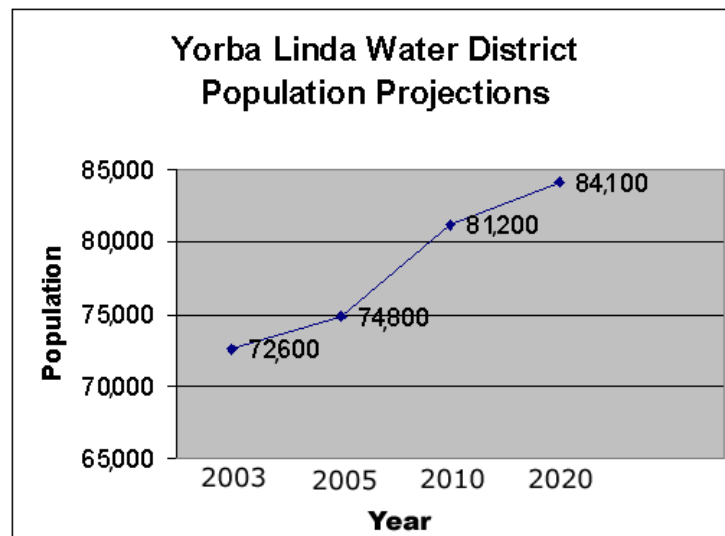
Figure 6b, Estimated YLWD Service Area Acreage



The Yorba Linda Water District serves an estimated 74,800 people through approximately 23,000 service connections. The majority of the district's existing service connections (i.e., more than 90 percent) are residential, but it also provides commercial and industrial connections (about 4 percent), as well as water for landscape (about 3 percent) and agricultural (> 1 percent) purposes.

The district's service population will increase over the next several years with future development. The development is expected to be primarily residential, with four large residential developments in various stages of construction, as well as many other projects currently planned for development or redevelopment within the district's service territory. *Figure 6c, YLWD Population Projections*, demonstrates the district's service population projections through 2020.

Figure 6c, YLWD Population Projections





LAFCO staff did not note any significant issues related to growth and population projections. The district has adequately planned for future growth and the associated infrastructure and water supply.

Infrastructure Needs or Deficiencies

This determination addresses the adequacy of existing and planned infrastructure needed to accommodate future growth and the efficient delivery of public services. Yorba Linda Water District's future service delivery ability is dependent upon the integrity of its water and sewer infrastructure and reliability of its water supply. In order to understand the district's infrastructure and supply requirements, however, it is necessary to understand more about the district's service provision.

YLWD Service Provision

Although the Yorba Linda Water District is one contiguous district, it has divided its service territory into three sub-areas due to the arrangements that financed the district's major "backbone" facilities.

Figure 6d, YLWD Sub-Area Map

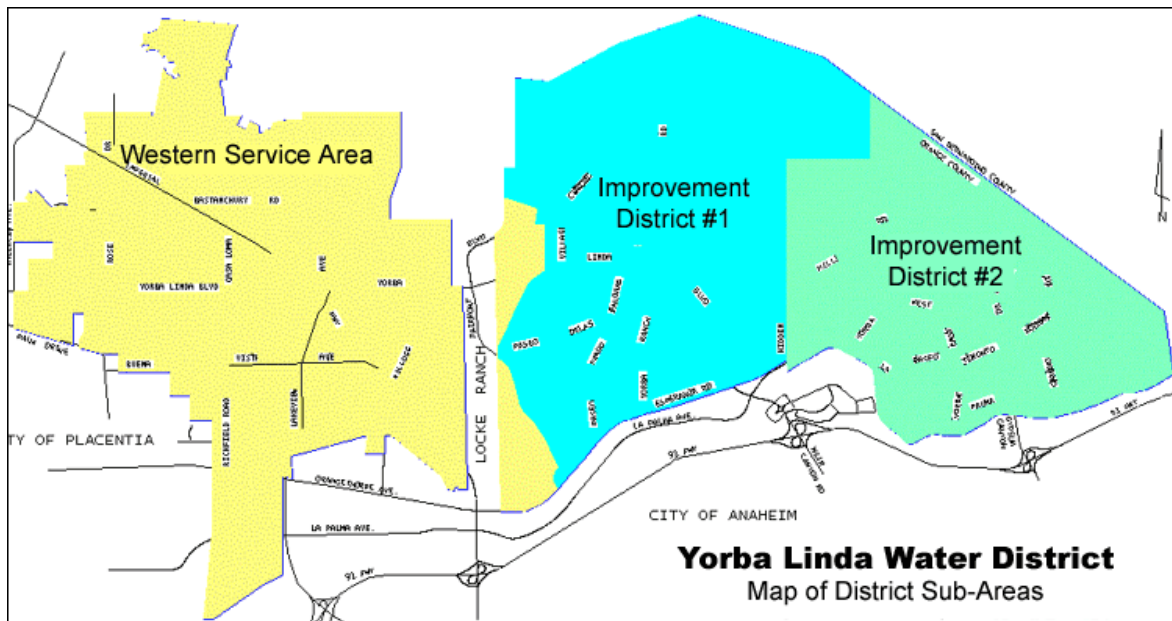


Figure 6d, YLWD Sub-Area Map, above, demonstrates the districts three sub-areas:

1. *Western Service Area (WSA)*, essentially the district's original service territory, is approximately 5,800 acres in size. The WSA does not have public financing for



water and sewer facilities, so land developers must finance extensions to the “backbone” system.

2. *Improvement District #1 (ID-1)* is approximately 4,300 acres in size and was annexed to the district in May 1978. ID-1 has issued two series of general obligation bonds and one series of refunding bonds to finance “backbone” facilities since June 1978. Those bonds have since been repaid.
3. *Improvement District #2 (ID-2)* is approximately 3,500 acres in size and was annexed to the district in June 1978. ID-2 has issued three series of general obligation bonds and two series of refunding bonds to finance “backbone” facilities since June 1978. As with ID-1, those bonds have since been repaid.

The district’s ratepayers pay uniform rates regardless of the sub-area in which they reside or conduct business.

As is demonstrated previously in map captioned *Figure 6a* on page 46, there are several areas within the City of Yorba Linda that are *not* included in the Yorba Linda Water District’s service territory. These include Savi Ranch, the North Orange County Community College District (NOCCCD), property owned by Shapell Industries, and a more than 400-acre strip of land commonly referred to as Locke Ranch. While these are not part of YLWD’s service territory, the district does extend some services to these areas.

Savi Ranch

Savi Ranch is a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city’s boundary with Anaheim. While Savi Ranch is beyond YLWD’s service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. The City of Yorba Linda provides sewer service to the area.

NOCCCD

The Yorba Linda Water District provides water service to NOCCCD through an out-of-area agreement between the community college district, City of Yorba Linda, and YLWD. Through this agreement, YLWD charges the NOCCCD double its standard water rates.

YLWD intends to annex the community college district along with the 177-acre property owned by Shapell Industries and other territory owned by the Placentia-Yorba Linda Unified School District. YLWD is currently negotiating the pre-annexation agreement and anticipates filing an annexation application with LAFCO for the future



Shapell Industries development and NOCCCD by the end of 2006. While the City of Yorba Linda currently provides sewer service to the community college district, YLWD will assume sewer service provision following annexation. Further, NOCCCD will begin paying standard rates once annexed to YLWD.

Locke Ranch

The 457-acre Locke Ranch area consists primarily of residential dwellings and two commercial centers – one at Yorba Linda and Fairmont Boulevards and the other on Esperanza Road at Fairlynn Avenue. The Golden State Water Company (GSWC), a private water purveyor, provides water service to Locke Ranch. This is a result of some political wrangling that occurred between the developer and local municipalities in the 1960s when the area was first under development. GSWC owns the Locke Ranch area's water infrastructure, though YLWD has two emergency tie-ins into GSWC's private system.

Though Locke Ranch is excluded from YLWD's service territory, the district provides sewer service to the area's residents and businesses through an out-of-area agreement executed with the City of Yorba Linda in October 1977. In addition to providing sewer service, YLWD owns and maintains the related sewer infrastructure.

Other Sewer Service Provision Nuances

The Yorba Linda Water District provides sewer service to customers both inside and beyond its service territory (e.g., Locke Ranch). It does not, however, provide sewer service to the entirety of its service territory. This is the result of a 1977 agreement entered into by YLWD and the City of Yorba Linda. The agreement divided the jurisdiction for planning, construction, and sewer facilities maintenance for the then-developing eastern Yorba Linda area. Per the terms of this agreement, YLWD provides sewer services to the majority of the Western Service Area, and the City of Yorba Linda's sewer jurisdiction begins at the eastern boundary of Locke Ranch and continues to the city's eastern boundary.

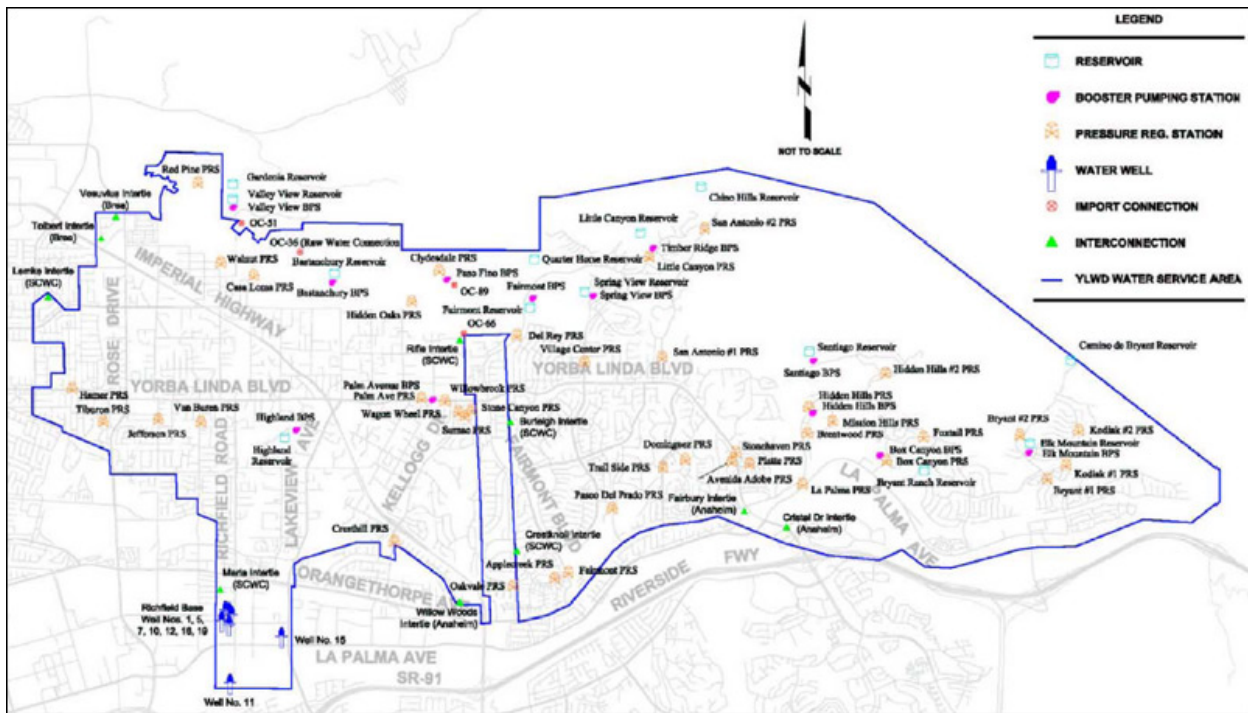
The jurisdictional issues related to sewer service provision between the city and district was further complicated by infrastructure-related concerns. A portion of the city's sewer system in Improvement District #1 drains into the district's sewer infrastructure in Locke Ranch. Because inadequate maintenance of the city sewers could adversely affect the district's system, the 1977 agreement between the city and district created a small area of overlapping jurisdiction. While the city maintains responsibility for the planning and construction of capital improvements in the overlap area, the district is responsible for its maintenance and bills sewer maintenance charges directly to the affected customers.



Water Infrastructure

As demonstrated in *Figure 6e, YLWD System Facilities*, water and sewer system provision requires a substantial amount of infrastructure. The Yorba Linda Water District's water infrastructure includes 8 groundwater production wells and another under construction, 4 imported water connections (3 treated, 1 untreated), 12 booster pumping stations, 13 water storage reservoirs, 36 pressure reducing stations, and 10 emergency interconnections with neighboring agencies. The district's service area also includes approximately 640 miles of pipeline, ranging in size from 4 to 39 inches in diameter.

Figure 6e, YLWD System Facilities



Sewer Infrastructure

The Yorba Linda Water District approved a Master Plan for sanitary sewer collection and disposal shortly after its formation in 1959 and began constructing the necessary infrastructure a few years later. This infrastructure includes:

- ♦ *House connections* – hardware that connects individual residences or businesses to the district's local lateral pipelines.



- ♦ *Local lateral pipelines* – lines that carry sewage from house connections to the trunk and/or sub-trunk mains.
- ♦ *Trunk and sub-trunk pipelines* – the arterial mains that move sewerage from local lateral pipes to the Orange County Sanitation District's regional system.

YLWD's sewer infrastructure in the WSA includes a sewer lift station and collection system. The district extends sewer service to nearly 11,000 customers in the WSA with more than 125 miles of various diameter trunk, sub-trunk, and local sewer pipes. As noted previously, the WSA does not have public financing for water and sewer facilities, so land developers must finance extensions to the "backbone" system, while the district finances the replacement of older infrastructure.

Further, the district owns and maintains over 44 miles of sewer system *beyond* its service territory. This includes the Locke Ranch area (18 miles), as well as the "overlap area" between the district and City of Yorba Linda (26 miles), as previously described. The district serves more than 4,500 customers collectively in these areas, which are fully developed.

YLWD Capital Improvement Program

The Yorba Linda Water District's Capital Improvement Program (CIP) is contained within the district's Domestic Water System Master Plan. The district's most recent Domestic Water System Master Plan, completed in 2005, details the district's plans through the year 2020. The plan identifies the improvements needed to meet current and future water demands, as well as operational changes necessary to meet current and upcoming water quality regulations and maximize the efficiency of system operations.

The district's CIP summarizes recommended improvements, the related costs of each project, and an estimated timeframe for implementation. Further, the recommended improvements are prioritized into three categories:

- ♦ *High priority* – These are health and safety related improvements that will be implemented immediately.
- ♦ *Medium priority* – These are most typically operational improvements or developer-driven projects scheduled for implementation by 2010.



- ♦ *Low priority* – These are improvements that, while essential, are not as imperative for immediate operations. These are scheduled for implementation between 2010 and 2020.

Figure 6f, *Yorba Linda Water District Summary of CIP Project Cost Estimates*, below, was taken from the district's 2005 Domestic Water System Master Plan and identifies the district's capital improvement priorities by type and estimated cost. The district is using a range of funding sources for these improvements, including "pay-as-you-go" funding, state loan programs, and various bonds.

Figure 6f, *Yorba Linda Water District Summary of CIP Project Cost Estimates*

Yorba Linda Water District Summary of CIP Project Cost Estimates 2005 Domestic Water System Master Plan			
Improvement Type	Year 2005 High Priority ⁽¹⁾	Year 2005-2010 Medium Priority ⁽¹⁾	Year 2010-2020 Low Priority ⁽¹⁾
Fire Flow Improvements	\$786,000		
System Pressure Improvements		\$3,159,000	
Operational Improvements		\$24,133,000	
Developer Driven Improvements			\$8,236,000
Storage Improvements ⁽²⁾		\$30,305,000	
Water Quality Improvements ⁽³⁾		\$2,000,000	
Security Related Improvements ⁽⁴⁾	\$1,100,000	\$1,250,000	\$950,000
Totals	\$1,886,000	\$60,847,000	\$9,186,000
GRAND TOTAL			\$71,919,000
Notes: (1) Estimated Project Costs are based on February 2005 dollars and include estimated engineering, legal, and administrative costs and a contingency, but exclude costs for land acquisition and offsite facilities. (2) The proposed Pacific Holding Reservoir is included with the Developer Driven Improvements and not with the Storage Improvements. (3) Source: Water Reservoir Nitrification Prevention and Control report. (4) Source: Security Vulnerability Assessment report. Costs escalated 5 percent to estimate February 2005 dollars. O&M costs are not included. Some costs were excluded to avoid duplication of costs.			

Water Supply

The Yorba Linda Water District gets its water from two major sources: groundwater pumped from the lower Santa Ana Basin, which is contained within the Orange County groundwater basin, and water imported from the Municipal Water District of Orange County (MWDOC), a local wholesaler.



The Santa Ana Basin is an underground aquifer, which is continually replenished by the Santa Ana River, local rainfall, and surplus water purchased from imported sources. The basin is carefully managed by the Orange County Water District, which also regulates the maximum percentage of groundwater production to total water supply that member agencies are allowed to pump without incurring financial penalties. The water pumped from the Santa Ana Basin via YLWD's groundwater wells does not require treatment beyond disinfection.

Water imported from MWDOC is obtained from a regional water supplier, the Metropolitan Water District of Southern California (MWD), the United States' largest wholesale water provider. This water originates from the Colorado River and State Water Project. YLWD imports water from MWDOC via four water connections, three of which supply treated water and one which supplies raw water for Yorba Linda's Black Gold Golf Course. As the district's service population grows, the district's supply needs will correspondingly increase.



As a means to increase water supply, YLWD investigated the possibility of constructing and operating a wastewater treatment plant near the Yorba Linda lakebed. The district concluded that *regional* wastewater reclamation is more economical and efficient and has since concentrated its efforts on various water conservation programs, which include community outreach and education, media relations, voluntary water use reduction, water audits, plumbing retrofit and low-water capacity toilet and washing machine programs, and coordination with local cities to conserve water through drought-tolerant landscaping and other means.

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The Yorba Linda Water District has adequately planned for infrastructure maintenance and improvements and the increased water supply demands that will result from future growth within its current and projected service territory.

Financing Constraints & Opportunities

The Yorba Linda Water District uses a biennial budget process, with the most recent budget adopted for Fiscal Years 2005-2006 and 2006-2007. Due to the nature of



planning, expenditures may vary during these years in response to events, weather, and/or customer service demands not anticipated when the budget was adopted. Nonetheless, the budget reflects the YLWD Board's mission, vision, policy direction, and budget goals.

Variable operating costs continue to make up the largest single category of the district's expenditures. These costs are sensitive to operating factors beyond the district's control, such as weather, growth, and individual consumption habits. Variable operating expenditures include the purchase of imported water and groundwater, as well as the energy to lift the water to the higher pressure zones. In Fiscal Years 2005-2006 and 2006-2007, total variable operating expenses were budgeted at \$6,056,700 and \$6,581,400 respectively.

YLWD's major revenue source is the water and sewer fees collected from district customers. Total water sales are projected to be \$16,456,400 in Fiscal Year 2005-2006 and \$16,940,134 in Fiscal Year 2006-2007. Sewer charges are estimated to bring in \$753,000 for both 2005-2006 and 2006-2007.

The 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects. These projects included the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines to: 1) increase the amount of groundwater into the eastern portion of the district and 2) supplement existing areas of the district that are experiencing low water pressures. The budget also includes a replacement plan for thousands of water meters that have outlived their recommended service lives.

During the 2005-2007 budget cycle, revenues from current water rates plus non-operating revenues will not balance operating expenses. However, YLWD has sufficient reserves and annexation revenues to bridge the shortfall during this period of significant infrastructure and facility upgrades. Further, these capital improvements will greatly benefit the district's customers in the long-term.

Evaluation of Management Efficiencies / Cost Avoidance / Opportunities for Shared Facilities

As a public agency, the Yorba Linda Water District must maintain an efficient management system while providing services in a cost effective and logical manner. While these are three separate determinations, management efficiencies, cost avoidance, and facilities sharing are interrelated in that they address administrative, operational, or

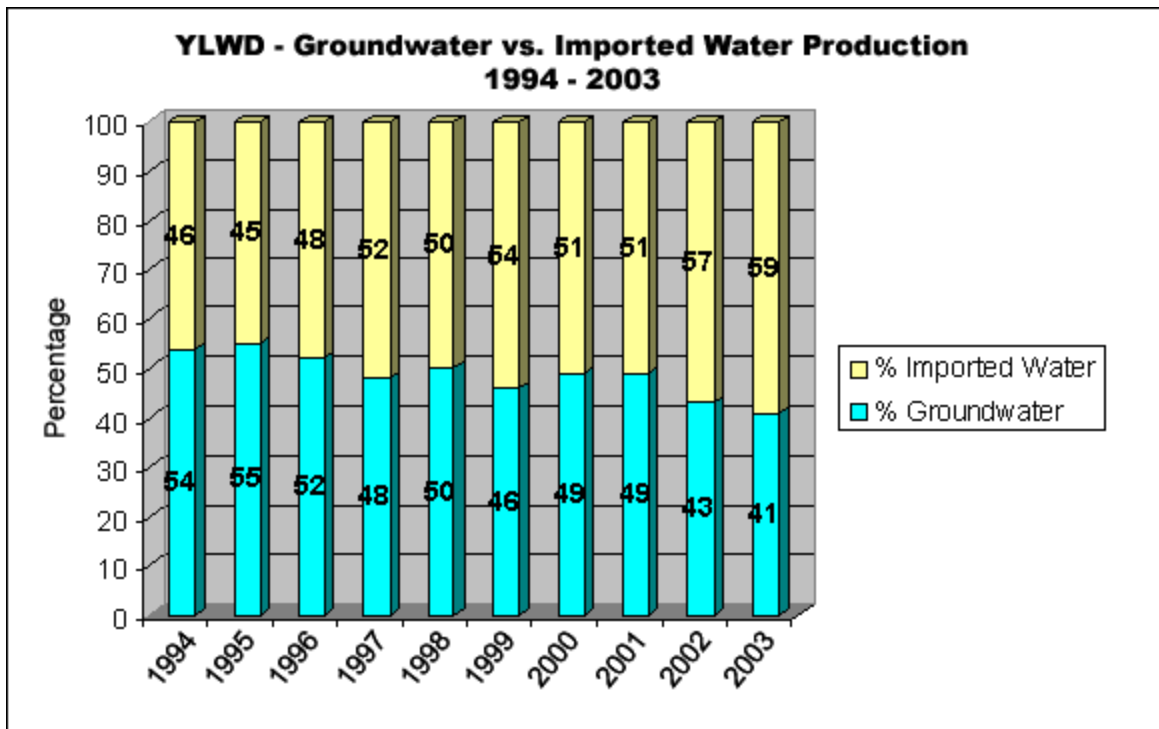


management practices that improve the provision of services or result in cost savings or efficiencies.

The Yorba Linda Water District is the sole agency that supplies retail water service to the customer's within its service boundaries. The district also provides sewer services within its service territory. The district's service territory includes the majority of the City of Yorba Linda, as well as unincorporated County territory and small portions of the Cities of Anaheim, Brea, and Placentia.

The district has historically imported approximately half of its water supply. Because of basin production percentage controls enacted by the Orange County Water District in 2003 in order to protect Orange County's groundwater basin in light of drought conditions, however, YLWD has become more reliant on imported water in recent years. (See *Figure 6g, Yorba Linda Water District – Groundwater vs. Imported Water Production*, below.)

Figure 6g, Yorba Linda Water District – Groundwater vs. Imported Water Production



Groundwater is significantly more economical to provide than imported water — \$223/acre-foot vs. \$481/acre-foot, a difference of \$258/acre-foot. YLWD has set a goal of increasing its groundwater production to 75 percent of its total supply as a means



reduce the district's costs. For every 10 percent increase (of total production) in groundwater use, the district estimates it will save over a half a million dollars per year. Realizing its 75 percent groundwater production goal would equate to a savings of approximately \$1.4 million annually. The district has already completed several major capital improvement projects toward that end, including well pumping facility upgrades, the development of a new transmission main, and construction of two facilities, which enabled the district to increase groundwater pumping capacity.

As indicated previously, YLWD's water distribution system includes ten emergency interconnections with three adjacent water distribution systems – the City of Anaheim, City of Brea, and Golden State Water Company (GSWC), a private water provider. These pipeline interconnections are in addition to the four that the district maintains with the Metropolitan Water District of Southern California. Collectively, these enable the district to import or export water when needed.

YLWD has long-established, collaborative relationships with the other municipalities in its vicinity. It offers training classes for its staff at the district's Richfield Plant and extends those educational opportunities to other agencies. It also makes its facilities available to other agencies for special events and training sessions when needed. Further, the district has on occasion assisted the Cities of Placentia and Yorba Linda by supplying crews and equipment to respond to sewer emergencies outside the district's service territory.

Opportunities for Rate Restructuring

Water and sewer service provision is capital intensive. Capital needs, financing costs, and available revenue directly affect service providers' rates. In determining its retail water rates, service providers must factor in both its external and internal costs. External costs include things such as water treatment, purchase, and storage. Internal costs include the water delivery system and customer service (e.g., billing, meter reading, etc.), as well as general and administrative expenses, including insurance, facilities, and staff costs.

The Yorba Linda Water District receives its funding from water sales, service charges, fees, and investment earnings on funds set aside. Tax revenue from the general 1% property tax levy is another funding source. Certain funding sources – connection charges, voter authorized taxes and assessments, development impact fees, standby charges, redevelopment funds, and grants among them – are restricted for capital improvements. However, if the district lacks adequate funds for the required capital improvements and repairs, it may increase fees charged to its ratepayers.



YLWD's Board of Directors establishes rates and fees that ensure the district has adequate funds to cover operational costs, maintenance, and capital improvement projects. The district's rates and other fees directly reflect the actual cost of providing water and sewer service to its customers.

YLWD monitors its financials on a monthly basis. When the district gets to a juncture where it seems revenues are not covering the direct cost of providing service, including needed capital improvements, maintenance, etc., the district's staff conducts a rate analysis, and the Board decides whether an adjustment in the district's rates is warranted. The district's Board will consider the next YLWD rate study towards the end of 2006.

Like other public agencies, YLWD has been adversely impacted by the state's fiscal woes. The Budget Act of 2004 and subsequent voter-approval of Proposition 1A resulted in a number of temporary and permanent changes in the funding structure for local government agencies, including cities, counties, and special districts. As a result of the 2004 changes, cities, counties, special districts, and redevelopment agencies were forced to contribute \$1.3 billion each year for two years (Fiscal Years 2004-2005 and 2005-2006) to help the State's finances. This \$2.6 billion in local revenue will not be repaid to any of the agencies.

YLWD was doubly impacted by the 2004 funding structure changes. Firstly, the district lost approximately \$800,000 annually. Secondly, the Orange County Water District suffered a loss of \$7-7.5 million as a result of the State funding shift and passed that loss to its member agencies, YLWD among them. These revenue losses resulted in a 17 cent increase per billing unit (100 cubic feet of water) to YLWD's customers.

The district's current rate structure went into effect on July 1, 2005. Customers are charged \$1.57 per 100 cubic feet of water, or 748 gallons, regardless of the sub-area in which they receive service.

LAFCO staff did not note any significant issues related to rate restructuring. YLWD's rates directly reflect the district's actual cost of providing water and sewer service to its customers.

Government Structure Options

This determination requires LAFCO to examine possible government structure options. These include potential consolidation or reorganization with other service providers and the annexation/detachment of territory to the district.



Consolidation or Reorganization with the City of Yorba Linda

The Yorba Linda Water District is the only provider of retail water service within its service territory. It also provides water service to some areas beyond its service territory through out-of-area agreements with the City of Yorba Linda. These areas include Savi Ranch and property owned by the North Orange County Community College District.

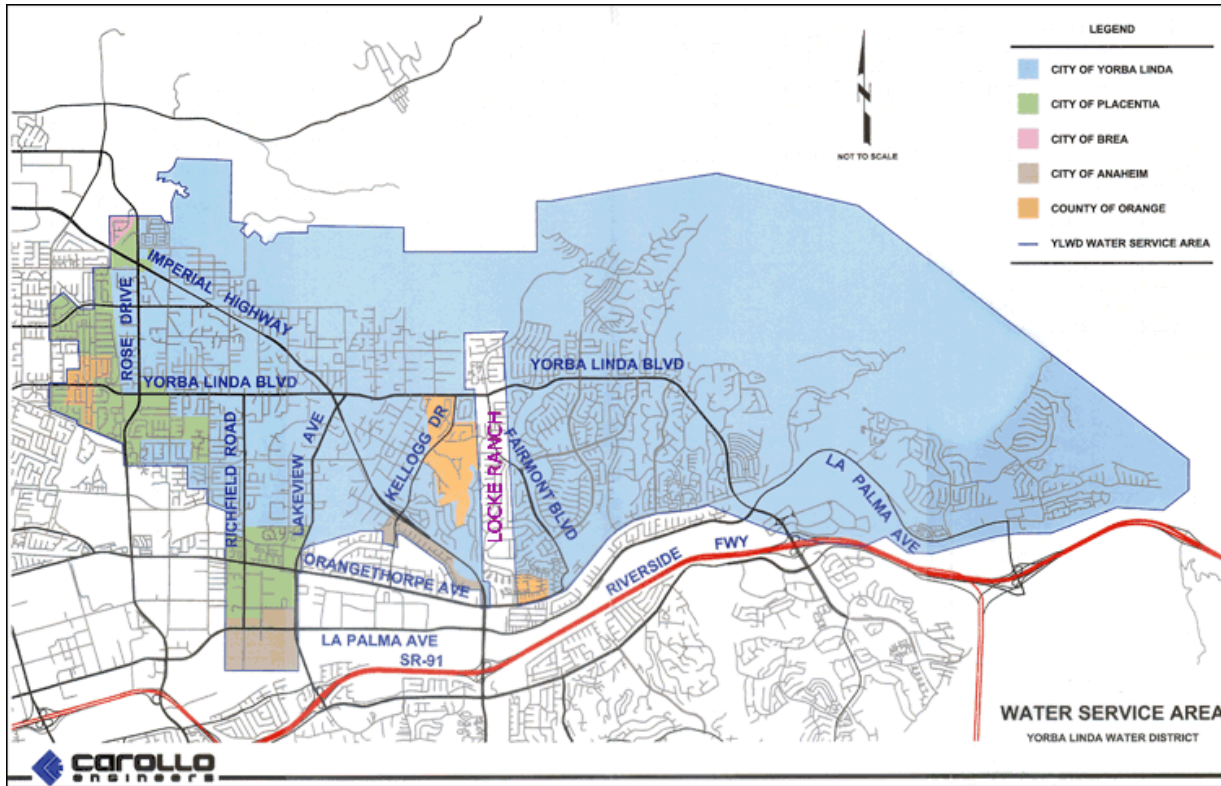
The district also provides sewer service to the majority of its Western Service Area and to the residences and businesses in Locke Ranch, an area outside of the district's service territory. The City of Yorba Linda provides sewer service to the remainder of YLWD's service territory, though the district is responsible for sewer system maintenance in the "overlap area," previously described on page 50.

One potential government structure option for the district would be consolidation or reorganization with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city. This is an unattractive option for several reasons:

1. Neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization.
2. YLWD, as an independent special district, operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and provides some of the best rates in Orange County.
3. As demonstrated in *Figure 6h, YLWD Service Territory*, YLWD provides water service beyond the city's corporate boundaries, including portions of the Cities of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.



Figure 6h, YLWD Service Territory



There has been discussion over the years about YLWD taking over the City of Yorba Linda's sewer service provision and related infrastructure. The city recently hired a consultant to conduct a feasibility study that will analyze the potential benefits of the city relinquishing its sewer service to the district or, possibly, a private entity. From the district's perspective, providing sewer service to the entirety of Yorba Linda is a logical alternative given the district's expertise and resources. Should the city and district mutually agree to pursue this option in the future, the district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing.

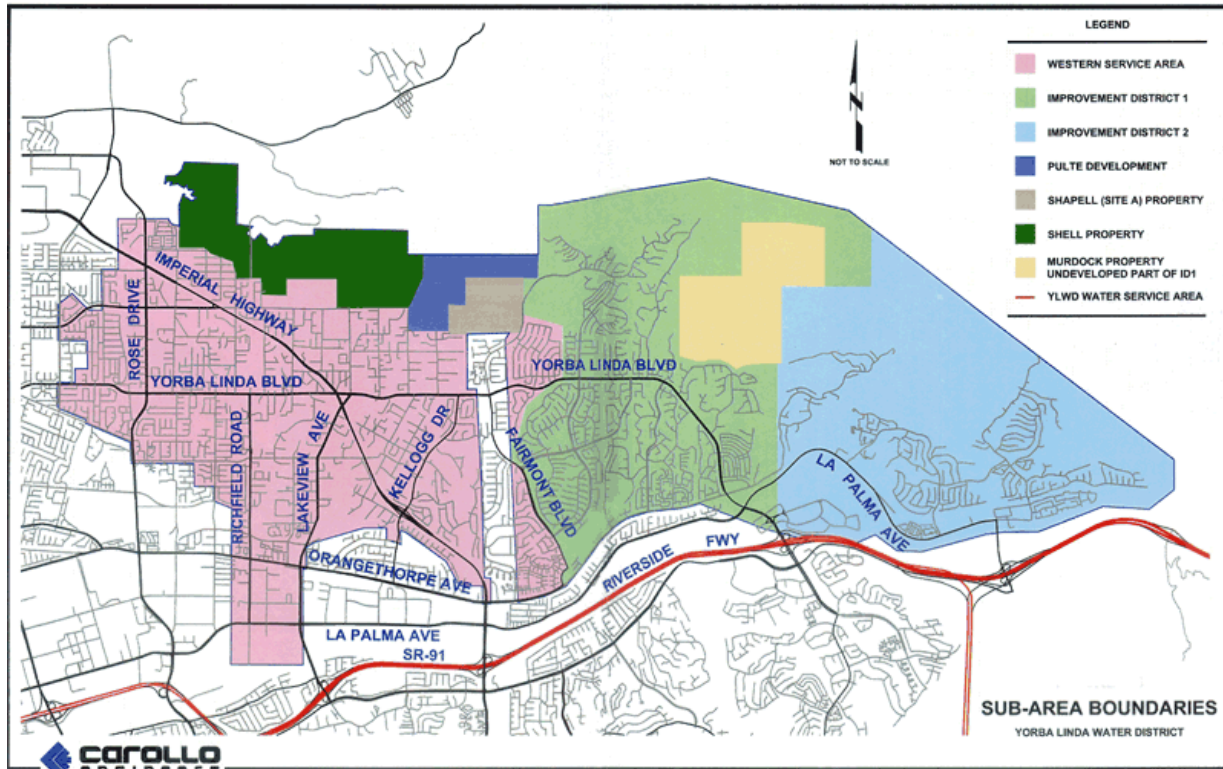
Future Annexations

While Yorba Linda Water District's service territory is approximately 90 percent developed, the district's service population will increase by approximately 12.5 percent in the next twenty years, rising from 75,445 in 2005 to about 84,860 by 2025. Future development is one cause for this increase. There are four large residential developments in various stages of construction and many other projects currently planned for development or redevelopment within the district's service territory.



Figure 6i, Projected YLWD Development, displays the major areas of development, which include the Kerrigan Ranch Planned Community by Pulte Homes, Vista Verde Planned Community by Shell/Toll Brothers, the Murdock property, and sites owned by Shapell Industries.

Figure 6i, Projected YLWD Development



YLWD has already annexed the Pulte Home Development and Shell property along the Western Service Area's northern boundary.

Shapell Industries, NOCCCD, & Placentia-Linda Unified School District

YLWD anticipates filing an annexation application for the 177-acre site of the future Shapell Industries development by the end of 2006. YLWD is currently negotiating the pre-annexation agreement. The property owners and City of Yorba Linda support this annexation.

As previously indicated, the Shapell Industries property is adjacent to territory owned by the North Orange County Community College District (NOCCCD) and the Placentia-Yorba Linda Unified School District (PYLUSD), none of which is included in the district's current service territory, though YLWD provides water service to NOCCCD property through an out-of area agreement.



YLWD intends to annex the community college district along with the 177-acre property owned by Shapell Industries and other territory owned by PYLUSD, upon which the school district intends to erect a new high school. While the City of Yorba Linda currently provides sewer service to the community college district, YLWD will assume sewer service provision to the entire area following annexation. Further, NOCCCD, which now pays double rates, will begin paying standard rates once annexed to YLWD.

Locke Ranch

As previously described, YLWD provides sewer service to the 457-acre Locke Ranch area, located *outside* its territory, through an out-of-area agreement with the City of Yorba Linda. The Golden State Water Company (GSWC), a private water purveyor, provides water service to Locke Ranch and owns the area's water infrastructure, though YLWD has two emergency tie-ins into GSWC's private system.

As a private water company, GSWC is governed by the Public Utilities Commission in Sacramento rather than its ratepayers. The residents and business owners in Locke Ranch pay higher water rates than YLWD's customers (\$1.72 per 100 cubic feet of water plus services charges of \$14+ per month vs. \$1.57 per 100 cubic feet of water) and sometimes experience different service levels. Further, it is difficult for GSWC's customers to enact change, as they do not have local representation on GSWC's Board.

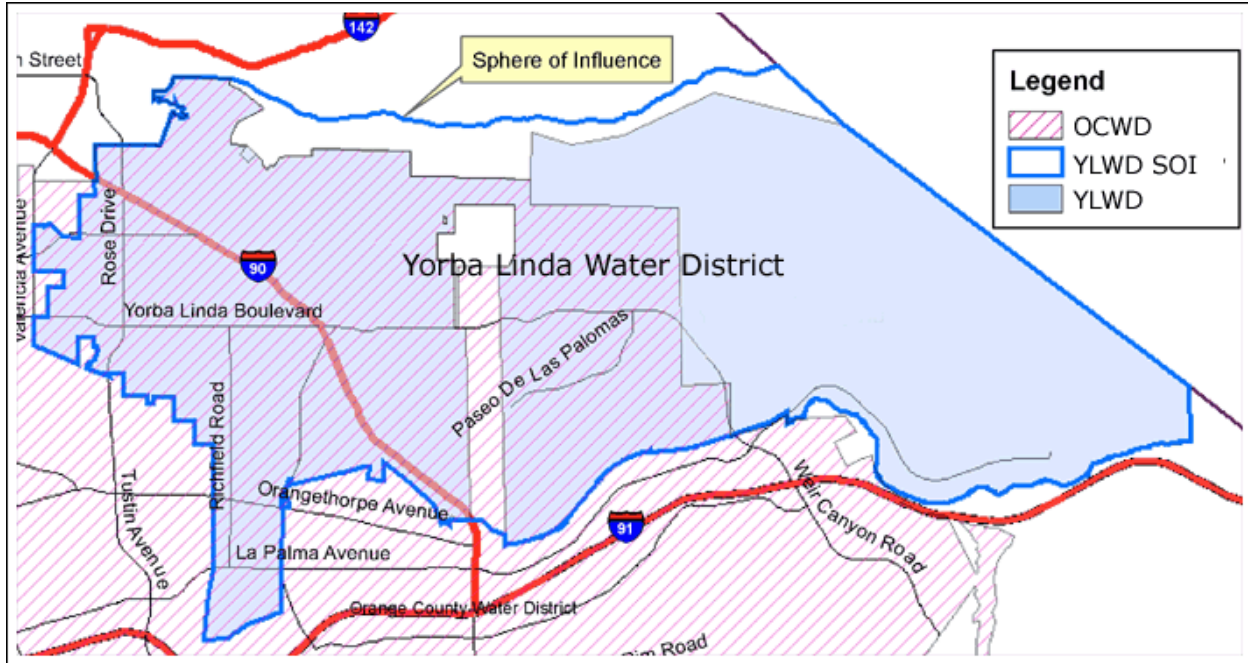
GSWC has offered to "sell" the Locke Ranch area to YLWD, enabling the district to purchase the company's water infrastructure and assume the area's water service provision. However, the district lacks the funds to purchase GSWC's water system and cannot justify raising its customer's rates to raise capital for such a scenario. GSWC has also offered to "swap" territory with the district, proposing that YLWD could relinquish its service territory in the City of Placentia in exchange for Locke Ranch. The district does not see any benefit in this scenario and feels an obligation to protect its customers in Placentia, who would be forced to pay higher rates if GSWC assumed water service provision.

Orange County Water District Territory

As an Orange County Water District (OCWD) member agency, the Yorba Linda Water District would one day like to see the entirety of its territory annexed to OCWD. (See *Figure 6j, YLWD-OCWD Territory Overlap*, which displays OCWD's service territory in relation to YLWD.) This is not a high priority project.



Figure 6j, YLWD-OCWD Territory Overlap



Savi Ranch

Savi Ranch is a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city's boundary with Anaheim. While Savi Ranch is beyond YLWD's service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. While not a high priority given the district's other goals and objectives, YLWD would one day like to annex Savi Ranch to its service territory.

Local Accountability & Governance

The Yorba Linda Water District maintains two office locations. The district's main office is located at 4622 Plumosa Drive in Yorba Linda and is open to the public from 7:30 a.m. to 5:30 p.m., Monday through Friday. The district's field office headquarters is located at 913 S. Richfield Road in Placentia and is open from 7 a.m. to 4:30 p.m., Monday through Friday.

A five-member Board of Directors elected at-large governs the Yorba Linda Water District. Each serves a fixed four-year term on the YLWD Board of Directors, and Board members may serve more than one term without limit if reelected. *Table 6k, YLWD Board of Directors*, details the current composition of the district's Board.



Table 6k, YLWD Board of Directors

Board Director	Term Details	Compensation
Paul Armstrong, President	First elected in 1982; current term ends November 2006	\$150/meeting with a maximum of 10 meetings/month. Mileage reimbursement based on the current IRS rate. Directors also receive insurance coverage (medical, dental, vision) and may extend those benefits to their spouses/dependents if they pay out-of-pocket.
Ric Collett, Vice President	First elected in 2004; current term ends November 2008.	
Michael Beverage	First elected in 1992; current term ends November 2008.	
William Mills	Served on the Board of Directors 1985-1987. Elected to current term in 2002; current term ends November 2006.	
John Summerfield	First elected 2002; current term ends November 2006.	

The district's Board of Directors convenes on the second and fourth Thursdays of each month at 8:30 a.m. in the board room located at the district's main office. Special meetings are scheduled as needed, and all Board meetings are open to the public.

The Board has several subcommittees that meet at regularly scheduled intervals. These subcommittees include: the Executive-Administrative-Organizational Committee; Finance-Accounting Committee; Personnel-Risk Management Committee; Planning-Engineering-Operations Committee; Public Information Committee; Municipal Water District of Orange County Ad Hoc Committee; and Orange County Water District Ad Hoc Committee. Board members typically serve on two subcommittees each.

The Board employs a general manager who has full authority and responsibility for the district's day-to-day operations, which include the administration and control of revenues and expenditures, execution of district policies and procedures, and overall management of the district's 62 full- and part-time employees. The district's current general manager, Michael Payne, began his career at the district as an engineer in 1973. He was appointed to the position of general manager in December 2003.

The Yorba Linda Water District maintains its own public website at www.ylwd.com. The website features easily accessible information about the district's

headquarters and field office locations, hours of operation, programs and services, publications and press releases, and employment opportunities. The district's website





also highlights information on the Board of Directors, including a Board member listing, the Board's monthly meeting time and location, and the Board's agendas and meeting minutes.



THE NINE DETERMINATIONS – YORBA LINDA WATER DISTRICT

Infrastructure Needs or Deficiencies

The Yorba Linda Water District's infrastructure is sound and adequate for the district to serve its service territory. The district's Board of Directors uses a biennial budget process and earmarks funds for the necessary capital improvement projects. The FY 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects. These projects included the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines.

YLWD has adequately planned for infrastructure maintenance and improvements and the increased water supply demands that will result from future growth within its current and projected service territory. Staff did not identify any significant issues regarding infrastructure needs and deficiencies.

Growth and Population Projections

The Yorba Linda Water District's service territory very closely aligns with the City of Yorba Linda's corporate boundaries but also includes territory in the Cities of Anaheim, Brea, and Placentia as well as unincorporated County territory. The district's service territory is 90 percent developed, but its service population is projected to increase approximately 12.5 percent in the next twenty years, rising from 75,445 in 2005 to about 84,860 by 2025.

LAFCO staff did not note any significant issues related to growth and population projections. The district has adequately planned for future growth and the associated infrastructure and water supply.



Financing Constraints & Opportunities

During the 2005-2007 budget cycle, revenues from current water rates plus non-operating revenues will not balance operating expenses. Much of this can be attributed to an aggressive plan to complete several large capital improvement and replacement projects. Even so, the district has sufficient reserves and annexation revenues to bridge the shortfall during this period of significant infrastructure and facility upgrades. Further, these capital improvements will greatly benefit the district's customers in the long-term.

Also of significance, the State required YLWD (and all other California cities and special districts) to return a portion of its property tax revenue to the State's coffers in Fiscal Years 2004-2005 and 2005-2006. This was done as a means to ease State revenue shortfalls. The district lost approximately \$800,000 during each of those Fiscal Years, and the money will not be repaid. As a further result of the tax shift, the district saw an increase in the rates it pays to the Orange County Water District, which had to pass its own revenue loss on to its member agencies, YLWD among them.

Cost Avoidance Opportunities

All of the Yorba Linda Water District's expenditures appear to be based on efficient methods of operation. The district cuts costs as it can and has set a goal of increasing its groundwater production to 75 percent of its total supply as a means reduce the district's costs. For every 10 percent increase (of total production) in groundwater use, the district estimates it will save over a half a million dollars per year. Realizing its 75 percent groundwater production goal would equate to a savings of approximately or \$1.4 million annually.

LAFCO staff did not identify any additional cost avoidance mechanisms for the district to explore.

Opportunities for Rate Restructuring

The Yorba Linda Water District's Board of Directors establishes rates and fees that will ensure the district has adequate funds to cover operational costs, maintenance, and capital improvement projects. YLWD's current rate structure went into effect on July 1, 2005. The district's Board will consider a rate study towards the end of 2006 and determine if the district's rates and other fees require adjustment.



LAFCO staff did not note any significant issues related to rate restructuring. YLWD's rates directly reflect the district's actual cost of providing water and sewer service to its customers.

Opportunities for Shared Facilities

The Yorba Linda Water District is the only provider of retail water service within its service territory. The district also provides sewer service within its service territory. While YLWD does not share facilities with any other local government agency, it does provide water and sewer service to some areas beyond its service territory through out-of-area agreements with the City of Yorba Linda. These areas include Savi Ranch and property owned by the North Orange County Community College District (water service), as well as the community commonly referred to as Locke Ranch (sewer service).

YLWD's water distribution system includes ten emergency interconnections with three adjacent water distribution systems – the City of Anaheim, City of Brea, and Golden State Water Company (GSWC), a private water provider. These pipeline interconnections are in addition to the four that the district maintains with the Metropolitan Water District of Southern California. Collectively, these enable the district to import or export water when needed.

Staff did not identify any opportunities for YLWD to share facilities.

Government Structure Options

The Yorba Linda Water District could potentially consolidate or reorganize with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including portions of the Cities of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.

As an independent special district, YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and has set some of the most competitive rates in Orange County. There are no apparent benefits to a consolidation or reorganization at this time.



YLWD anticipates filing an annexation application with LAFCO for the future Shapell Industries (a 177-acre site) development along with adjacent territory owned by the North Orange County Community College District and the Placentia-Yorba Linda Unified School District by the end of 2006. YLWD is currently negotiating the pre-annexation agreement. The property owners and City of Yorba Linda are in support of this annexation.

Additionally, YLWD provides water service to Savi Ranch, a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city's boundary with Anaheim. While Savi Ranch is beyond YLWD's service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. While not a high priority given the district's other goals and objectives, YLWD would one day like to annex Savi Ranch to its service territory.

Evaluation of Management Efficiencies

The Yorba Linda Water District's organizational structure is sound and efficient. A five-member Board of Directors elected at large governs the district. The Board employs a general manager who has full authority and responsibility for the district's daily operations and overall management of the district's 62 full-time employees.

Staff did not identify any issues regarding the district's management efficiencies.

Local Accountability & Governance

The Yorba Linda Water District's Board of Directors is elected by the district's constituents and is therefore held accountable to its ratepayers. All district meetings are conducted in public in accordance with the Brown Act. Further, the district maintains a public website (www.ylwd.com), which provides the necessary general information. The district's website also highlights information on the Board of Directors, including a Board member listing and the Board's monthly meeting time and location, as well as the Board's agendas and minutes.

Staff did not identify any issues regarding the district's local accountability and governance.



SPHERE OF INFLUENCE UPDATE – CITY OF YORBA LINDA

Government Code Section 56425 identifies the following factors that should be considered by LAFCO when determining an agency's sphere of influence:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The statement of determinations, which is outlined in the next section of this report, is based on the analysis of the City of Yorba Linda municipal service provision, which precedes this section of the report.

Analysis

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south. According the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents.

LAFCO established the City of Yorba Linda's sphere of influence at three separate public hearings in 1973: the city's northern sphere boundary on March 28, 1973; the city's western and southern sphere boundaries on June 27, 1973; and the city's eastern sphere boundary on July 11, 1973. The Commission reexamined the city's sphere at the



city's request on November 3, 1975, but denied the requested sphere amendment. The sphere (comprised of approximately 14,926 acres, about 12,715 of which are included in the city's corporate territory) has not been comprehensively reviewed since.

The city anticipates the annexation of one 600-acre area known as the "Murdock Property" within the next five years. That area is already within the city's sphere of influence and noted within the city's General Plan.

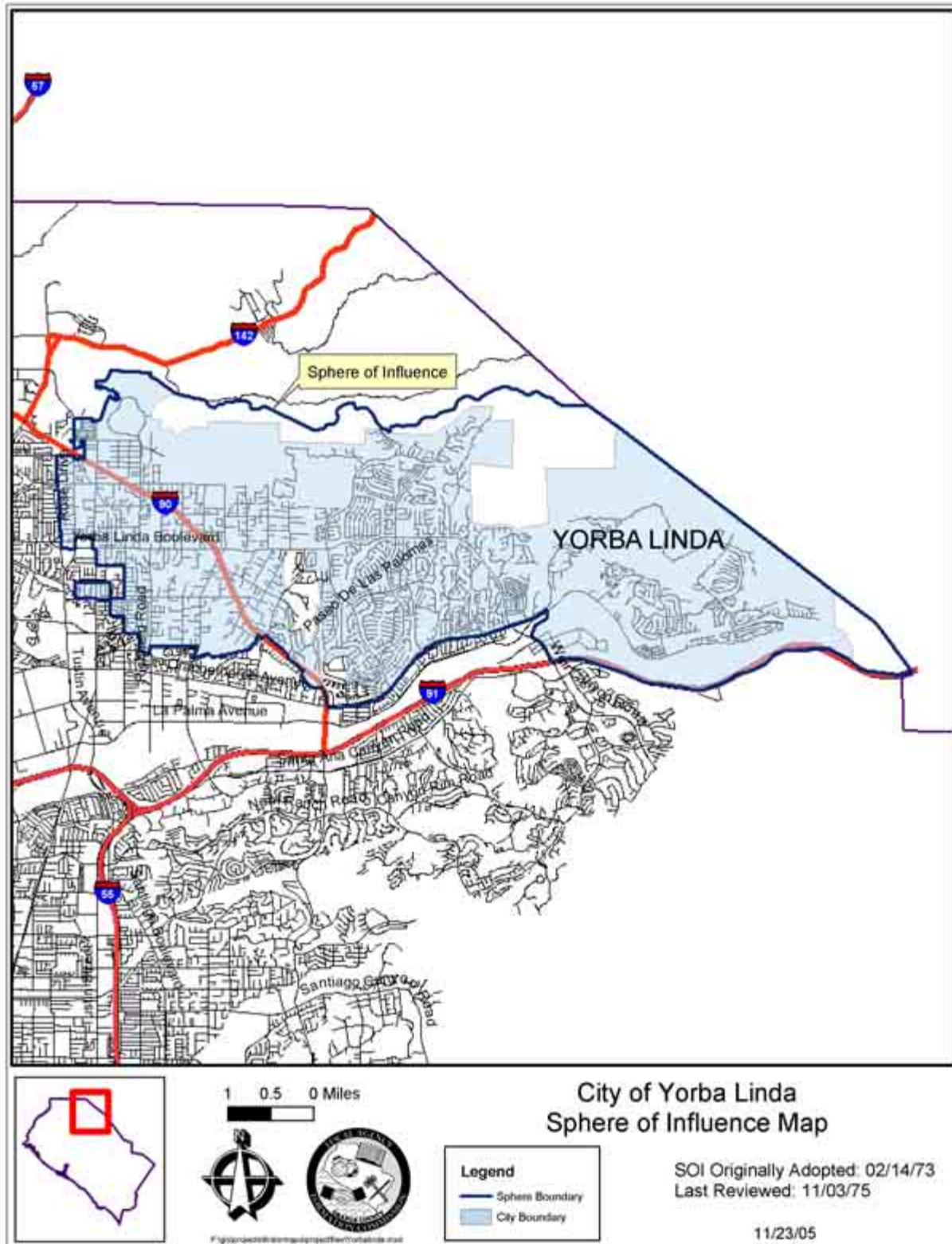
The city's sphere of influence also includes two noncontiguous unincorporated county islands, the Country Club and Fairlynn islands. Though both islands have been subject to numerous annexation attempts by the city, the latest of which was defeated by voter protest in March 2004, the city does not have any plans to reinitiate annexation of these islands at the current time.

Recommendations

Staff recommends that the Commission reaffirm the City of Yorba Linda's current sphere of influence boundary as depicted in *Figure 8a, City of Yorba Linda's Proposed Sphere of Influence*.



Figure 8a, City of Yorba Linda's Proposed Sphere of Influence





STATEMENT OF DETERMINATIONS – CITY OF YORBA LINDA

The statement of determinations that follows is based on the analysis of the City of Yorba Linda's municipal service provision, which precedes this section of the report.

The present and planned land uses in the area, including agricultural and open-space lands

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south.

The predominant land uses within the City of Yorba Linda are single- and multi-family residential, commercial, industrial, public, and semi-public. The city is almost entirely built-out, and future land uses are expected to remain relatively constant.

The City of Yorba Linda established the Yorba Linda Redevelopment Agency and a single redevelopment project area – approximately 2,640 acres in the eastern portion of the City of Yorba Linda – in May 1983. In July 1990, the city amended the project area, extending it to include another 344 acres in the city's commercial Town Center. The agency's scope is the rehabilitation and redevelopment of blighted areas within the city's territorial limits.

The present and probable need for public facilities and services in the area

The City of Yorba Linda has adequately addressed present and future need for services through its General Plan, biennial budget, and seven-year Capital Improvement Program. These documents, and the planning processes that spurn them, will help ensure that city services match projected growth.



The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

The City of Yorba Linda and its contracted service providers have adequate capacity and facilities to provide municipal services to the city's current and future residents.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

Orange County LAFCO did not identify any social or economic communities of interest for the City of Yorba Linda during the municipal service review and sphere of influence review processes.



SPHERE OF INFLUENCE UPDATE – YORBA LINDA WATER DISTRICT

Government Code Section 56425 identifies the following factors that should be considered by LAFCO when determining an agency's sphere of influence:

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

The statement of determinations, which is outlined in the next section of this report, is based on the analysis of the Yorba Linda Water District's municipal service provision, which precedes this section of the report.

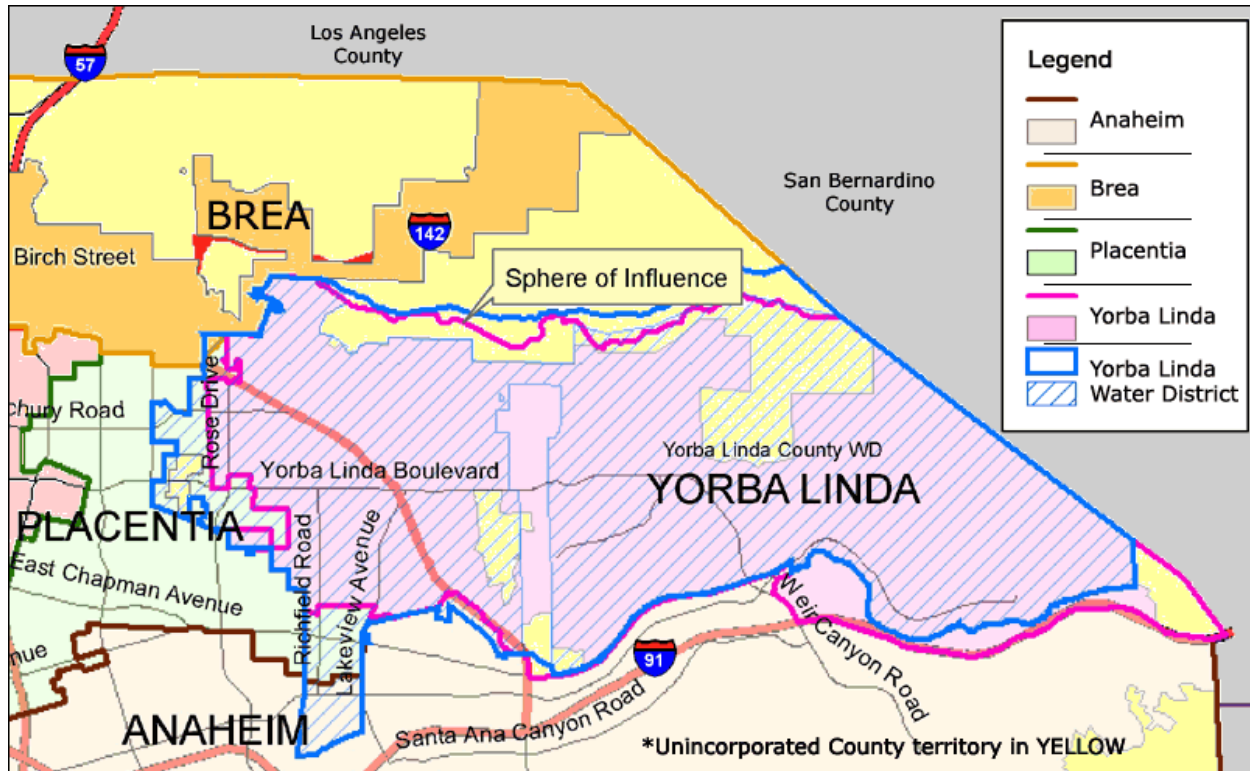
Analysis

The Yorba Linda Water District's sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice – on July 7, 1977 and October 1, 1986. The district's sphere of influence spans approximately 15,807 acres, about 14,280 of which are included in its official service territory.

As depicted in *Figure 10a, YLWD Service Territory*, the Yorba Linda Water District provides water service, sewer service, or a combination of both to an estimated 74,800 people through approximately 23,000 service connections in the Cities of Yorba Linda, Anaheim, Brea, and Placentia, as well as three unincorporated County islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's northern sphere.



Figure 10a, YLWD Service Territory



The Yorba Linda Water District provides water and sewer service to many areas beyond its service territory. These areas are all within the City of Yorba Linda's corporate or sphere of influence boundaries and are served via out-of-area agreement. They include Locke Ranch, the North Orange County Community College District, and Savi Ranch. Staff analyzed service provision to these areas in Section 6 of this report, *Review & Analysis of Service Provision – Yorba Linda Water District*.

Savi Ranch, a commercial center located in Yorba Linda near the city's boundary with Anaheim, is not only beyond YLWD's service territory, it is beyond the district's sphere of influence. Even so, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. It makes sense that YLWD would one day like to annex Savi Ranch and other areas that it serves via out-of-area agreements to its service territory. To do so, however, is contingent on those areas being within the district's sphere of influence.

Further, the City of Yorba Linda recently hired a consultant to conduct a feasibility study to determine if efficiencies can be achieved if YLWD assumes the city's sewer



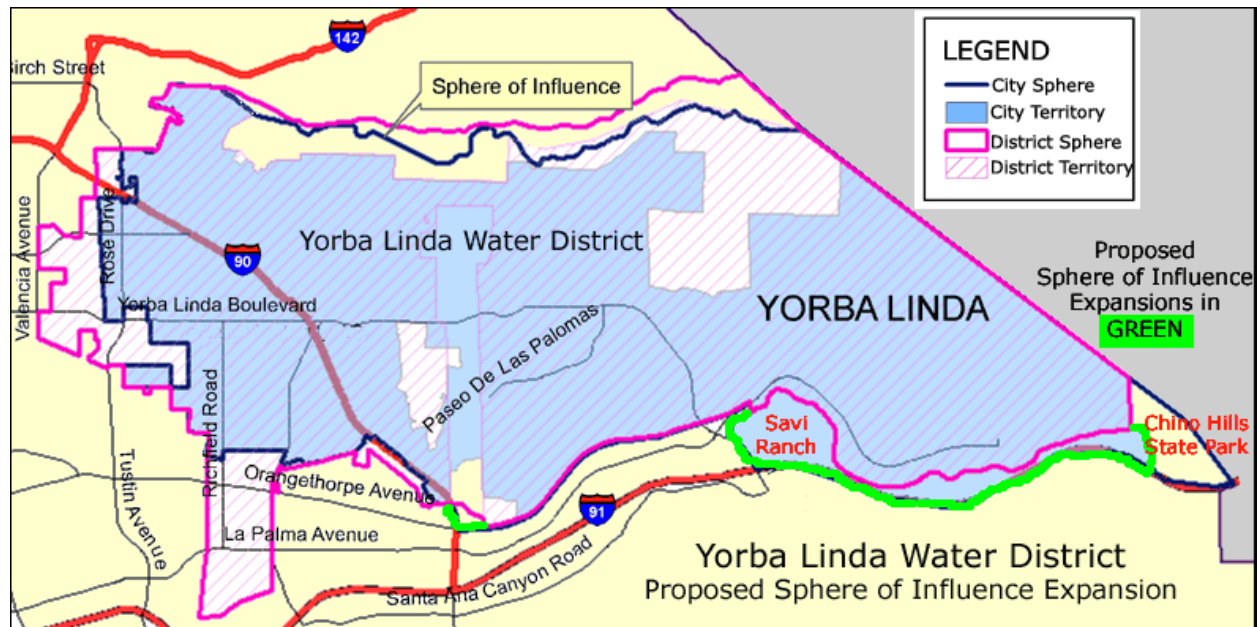
service provision and related infrastructure. The district's assumption of sewer service and infrastructure is not contingent on the agencies consolidating or reorganizing should the city and district mutually agree to pursue this option in the future. However, the district would most likely want to pursue annexation of the city's entire service territory rather than serve areas outside its own service territory via out-of-area agreements with the city. Again, annexation of these areas to the district's service territory is contingent on the areas being included in the district's sphere of influence.

For these reasons, staff believes modifications to the district's sphere boundaries are in order.

Recommendations

Staff recommends that the Commission modify the Yorba Linda Water District's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park. This would mean expanding YLWD's southern and southeastern sphere boundaries as depicted in *Figure 10b, YLWD Sphere Modification*, adding approximately 665 additional acres to the district's current sphere territory.

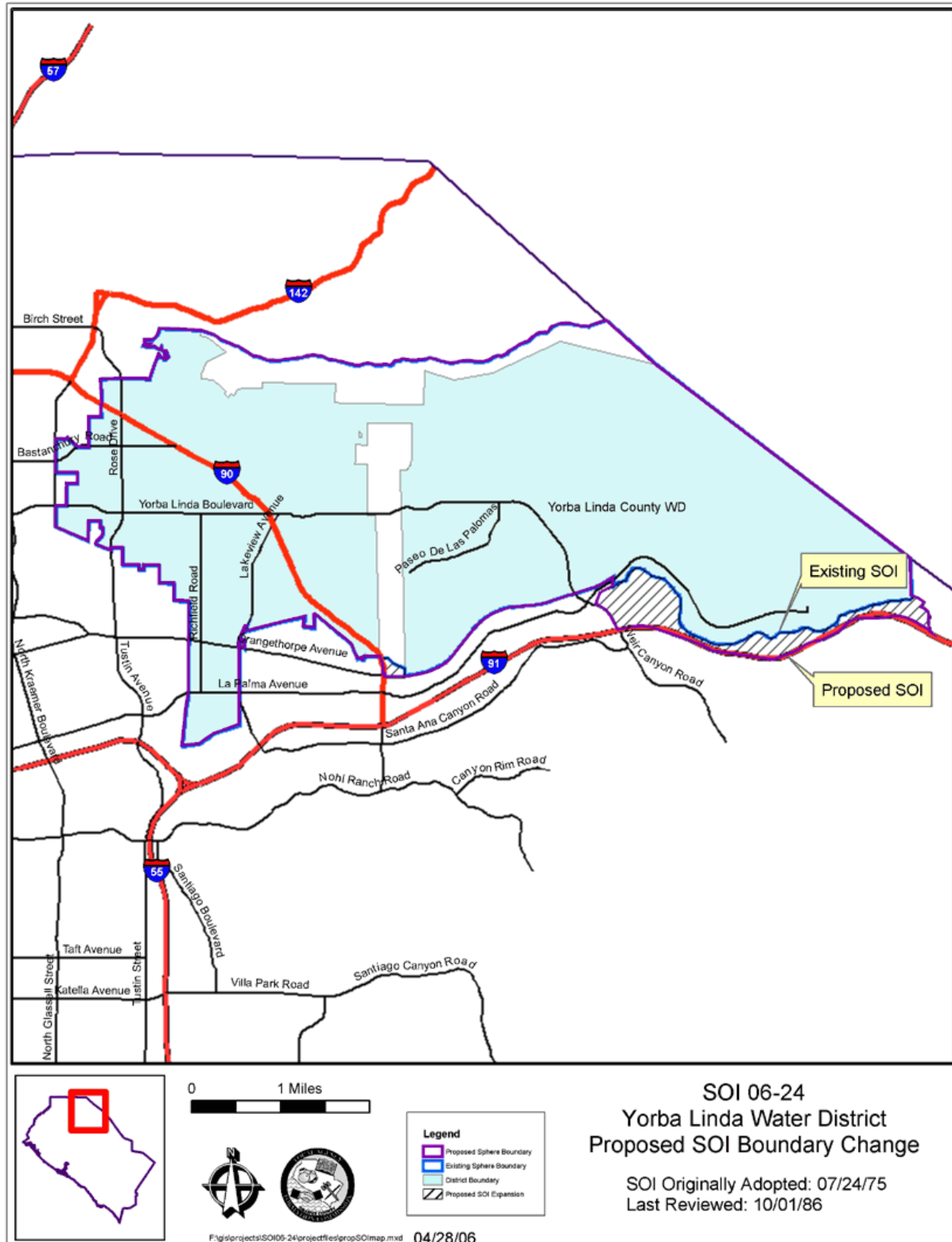
Figure 10b, YLWD Sphere Modification



The Yorba Linda Water District's proposed sphere of influence boundaries are depicted in *Figure 10c, YLWD Proposed Sphere of Influence*.



Figure 10c, YLWD Proposed Sphere of Influence





STATEMENT OF DETERMINATIONS – YORBA LINDA WATER DISTRICT

The statement of determinations that follows is based on the analysis of the Yorba Linda Water District's municipal service provision, which precedes this section of the report.

The present and planned land uses in the area, including agricultural and open-space lands

The Yorba Linda Water District's service territory today spans approximately 14,280 acres, or 22.3 square miles, and has an estimated service population of 74,800 people. Its sphere of influence is slightly larger than its service territory, encompassing approximately 15,807 acres.

The district's actual service territory is mostly confined to the City of Yorba Linda and the city's two large unincorporated islands. However, the district also serves portions of the Cities of Anaheim, Brea, and Placentia (including one unincorporated island in Placentia), as well as some unincorporated County territory in the City of Yorba Linda's northern sphere. The district also serves some areas *beyond* its service territory through out-of-area agreements. The predominant land uses within the district's service territory is single- and multi-family residential, commercial, light industrial, public, and semi-public. The district's service territory is 90 percent developed, and future land uses are expected to remain relatively constant.

The present and probable need for public facilities and services in the area

The Yorba Linda Water District's Board of Directors and management staff address the present need for facilities and services through the district's planning processes, which include the adoption of a biennial budget and development of a Capital Improvement Program, which is part of the district's Domestic Water System Master Plan. The probable need for water and sewer service in the area will increase correspondingly with population growth in the service area. Though the service area is 90 percent developed, there are several major development and redevelopment projects on the



horizon, which will contribute to the nearly 13 percent projected increase in population within the district's service territory over the next twenty years.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

The Yorba Linda Water District has adequate capacity and facilities to provide water and sewer services to its current customer base. However, it recognizes the need for some significant capital improvement projects in the next several years and has planned accordingly. The district's 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects, including the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines. The budget also includes a replacement plan for thousands of water meters that have outlived their recommended service lives.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The social and economic communities of interest relevant to this agency are the ratepayers within the Yorba Linda Water District's jurisdictional boundaries and those ratepayers the district serves beyond its service territory via executed out-of-area agreements. It is in YLWD and its customers' best interests that the district one day annexes the areas it serves outside its service territory. As such, staff recommends that the Commission modify YLWD's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park.

THE NINE MSR DETERMINATIONS – City of Yorba Linda

Growth and Population Projections

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. According the State Department of Finance, the City of Yorba Linda's 2005 population was 65,621. The Center for Demographic Research (CDR) anticipates that the city's population will continue to grow and approximates the city's 2025 population will be in excess of 76,000 residents.

Infrastructure Needs or Deficiencies

The City of Yorba Linda prides itself on providing high-level municipal services to its residents, both through its own internal departments and through the public and private agencies that serve the city through contract. The city reviews infrastructure needs through its budget and capital improvement projects to ensure that those city services will match projected growth. The city adopted its latest seven-year Capital Improvement Program (CIP) in 2005; it covers Fiscal Years 2005-2006 through 2011-2012. The CIP outlines all proposed capital projects for the seven-year period and identifies their funding sources. The Yorba Linda City Council prioritizes the projects using a tiered system, with "Tier 1" projects being those the city intends to initiate during the current two-year budget cycle (2005-2006 and 2006-2007) and "Tier 2" representing projects the city will tackle in the last five years of the CIP.

Staff did not identify any significant issues regarding infrastructure needs and deficiencies. The City of Yorba Linda has adequately planned for infrastructure maintenance and improvements that will result from future growth within its current and projected service territory.

Financing Constraints & Opportunities

The City of Yorba Linda uses a biennial budget process and adopted its most recent budget adopted for Fiscal Year (FY) 2005-2007. Like all cities in Orange County and California, the impact of the local revenues shift to the State from the city will result in a reduction in the city's overall revenues. Even so, the city expects to end FY 2005-2006 with a \$948,730 surplus. In FY 2006-2007, the city projects an improved revenue over expenditure picture of approximately \$1,857,260.

Staff did not note any significant issues regarding financing constraints.

Cost Avoidance Opportunities

All of the City of Yorba Linda's expenditures appear to be based on efficient methods of operation. The city has been diligent in implementing cost avoidance mechanisms wherever possible. For example, the city contracts with various public and private entities as a means to promote efficiency and save money — with Best, Best & Krieger, LLP, for legal counsel, Yorba Linda Disposal for trash collection and recycling services, and the City of Brea Police Department (PD) for law enforcement and police protection services.

Additionally, the city is in the process of implementing a number of technological advancements that will streamline service provision and result in cost savings to the city. These include a publicly-accessible electronic archive of city documents and an automated library system and online database, as well as online access to park and recreation registration and planning and development services.

Staff did not identify any issues related to cost avoidance opportunities.

Opportunities for Rate Restructuring

The Yorba Linda City Council adopts an updated fee schedule biennially in conjunction with the city's two-year budget cycle. The latest fee schedule, adopted by the city council in August 2005, reflects full cost recovery for services whenever possible (e.g., planning and development fees). Ratepayers are charged fees commensurate with the city's costs for providing specific services rather than the city subsidizing services through its General Fund.

The city's fee schedule is very much in line with those of other neighboring municipalities. Staff did not identify any opportunities for rate restructuring.

Opportunities for Shared Facilities

The City of Yorba Linda participates in facilities sharing through a joint use agreement (JUA) with the Placentia-Yorba Linda Unified School District, which enables the city to use the school district's facilities after school hours. In addition to the JUA, a lease agreement between the city and school district permits the operation of the Yorba Linda City Hall on school district property, which enabled the city to save considerable land costs when the city hall was erected.

The city also has a tri-party agreement with the City of Anaheim and County of Orange for the use of Yorba Regional Park's athletic fields. The cities jointly use the athletic fields for local program and split the maintenance costs on a pro-rata basis, with each agency paying for its respective use.

Staff did not identify any additional opportunities for facilities sharing.

Government Structure Options

The City of Yorba Linda could potentially consolidate or reorganize with the Yorba Linda Water District, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including areas of unincorporated Orange County and the Cities of Anaheim, Brea, and Placentia. Further, because YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health, there are no apparent benefits to a consolidation or reorganization at this time.

Two noncontiguous unincorporated County islands remain in the city's sphere of influence: the Country Club and Fairlynn islands. The city has attempted to annex these islands on numerous occasions, most recently in 2002. While LAFCO approved the city's annexation application, it was subject to protest proceedings and was subsequently defeated by voter protest in March 2004. While the city agrees that it could extend municipal-level services to these islands more efficiently and cost effectively than the County, the city has no intention to reinitiate annexation proceedings at the current time.

The City of Yorba Linda anticipates initiating annexation proceedings for an approximately 600-acre area known as the "Murdock Property," located in the north-central portion of the city's sphere of influence, within the next five years.

Evaluation of Management Efficiencies

The City of Yorba Linda's organizational structure is sound and efficient. A five-member city council elected at large governs the city. The city council employs a city manager who has full authority and responsibility for the city's daily operations and overall management of the city's more than 90 full- and part-time employees.

The Yorba Linda City Council and city manager convene in a special session each year to identify and prioritize a list of annual goals focused on projects and programs. This strategic planning practice helps the city manager and her staff to focus their energies and resources throughout the year.

Staff did not identify any issues regarding the city's management efficiency.

Local Accountability & Governance

The Yorba Linda City Council is elected by constituents and is therefore held accountable to the city residents. All city meetings are conducted in public in accordance with the Brown Act.

Further, the City of Yorba Linda maintains a public website, which provides the necessary general information about city services. The city's website also highlights information about the city council and its various commissions. This information includes council/commission member listings as well as monthly meeting times and locations.

THE NINE MSR DETERMINATIONS – Yorba Linda Water District

Infrastructure Needs or Deficiencies

The Yorba Linda Water District's infrastructure is sound and adequate for the district to serve its service territory. The district's Board of Directors uses a biennial budget process and earmarks funds for the necessary capital improvement projects. The FY 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects. These projects included the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement, construction of a new administration building, and installation of transmission pipelines.

YLWD has adequately planned for infrastructure maintenance and improvements and the increased water supply demands that will result from future growth within its current and projected service territory. Staff did not identify any significant issues regarding infrastructure needs and deficiencies.

Growth and Population Projections

The Yorba Linda Water District's service territory very closely aligns with the City of Yorba Linda's corporate boundaries but also includes territory in the Cities of Anaheim, Brea, and Placentia as well as unincorporated County territory. The district's service territory is 90 percent developed, but its service population is projected to increase approximately 12.5 percent in the next twenty years, rising from 75,445 in 2005 to about 84,860 by 2025.

LAFCO staff did not note any significant issues related to growth and population projections. The district has adequately planned for future growth and the associated infrastructure and water supply.

Financing Constraints & Opportunities

During the 2005-2007 budget cycle, revenues from current water rates plus non-operating revenues will not balance operating expenses. Much of this can be attributed to an aggressive plan to complete several large capital improvement and replacement projects. Even so, the district has sufficient reserves and annexation revenues to bridge the shortfall during this period of significant infrastructure and facility upgrades. Further, these capital improvements will greatly benefit the district's customers in the long-term.

Also of significance, the State required YLWD (and all other California cities and special districts) to return a portion of its property tax revenue to the State's coffers in Fiscal Years 2004-2005 and 2005-2006. This was done as a means to ease State revenue shortfalls. The district lost approximately \$800,000 during each of those Fiscal Years, and the money will not be repaid. As a further result of the tax shift, the district saw an increase in the rates it pays to the Orange County Water District, which had to pass its own revenue loss on to its member agencies, YLWD among them.

Cost Avoidance Opportunities

All of the Yorba Linda Water District's expenditures appear to be based on efficient methods of operation. The district cuts costs as it can and has set a goal of increasing its groundwater production to 75 percent of its total supply as a means reduce the district's costs. For every 10 percent increase (of total production) in groundwater use, the district estimates it will save over a half a million dollars per year. Realizing its 75 percent groundwater production goal would equate to a savings of approximately or \$1.4 million annually.

LAFCO staff did not identify any additional cost avoidance mechanisms for the district to explore.

Opportunities for Rate Restructuring

The Yorba Linda Water District's Board of Directors establishes rates and fees that will ensure the district has adequate funds to cover operational costs, maintenance, and capital improvement projects. YLWD's current rate structure went into effect on July 1, 2005. The district's Board will consider a rate study towards the end of 2006 and determine if the district's rates and other fees require adjustment.

LAFCO staff did not note any significant issues related to rate restructuring. YLWD's rates directly reflect the district's actual cost of providing water and sewer service to its customers.

Opportunities for Shared Facilities

The Yorba Linda Water District is the only provider of retail water service within its service territory. The district also provides sewer service within its service territory. While YLWD does not share facilities with any other local government agency, it does provide water and sewer service to some areas beyond its service territory through out-of-area agreements with the City of Yorba Linda. These areas include Savi Ranch and property owned by the North Orange County Community College District (water service), as well as the community commonly referred to as Locke Ranch (sewer service).

YLWD's water distribution system includes ten emergency interconnections with three adjacent water distribution systems – the City of Anaheim, City of Brea, and Golden

State Water Company (GSWC), a private water provider. These pipeline interconnections are in addition to the four that the district maintains with the Metropolitan Water District of Southern California. Collectively, these enable the district to import or export water when needed.

Staff did not identify any opportunities for YLWD to share facilities.

Government Structure Options

The Yorba Linda Water District could potentially consolidate or reorganize with the City of Yorba Linda, whereby the district would either merge with or become a subsidiary district of the city. However, neither the City of Yorba Linda nor the Yorba Linda Water District has expressed any interest in consolidation or reorganization. Further, YLWD provides water service beyond the city's corporate boundaries, including portions of the Cities of Anaheim, Brea, and Placentia, as well as areas of unincorporated Orange County.

As an independent special district, YLWD operates effectively and efficiently in providing water and sewer service to its customers, while also safeguarding the public health. The district maintains high service levels and has set some of the most competitive rates in Orange County. There are no apparent benefits to a consolidation or reorganization at this time.

YLWD anticipates filing an annexation application with LAFCO for the future Shapell Industries (a 177-acre site) development along with adjacent territory owned by the North Orange County Community College District and the Placentia-Yorba Linda Unified School District by the end of 2006. YLWD is currently negotiating the pre-annexation agreement. The property owners and City of Yorba Linda are in support of this annexation.

Additionally, YLWD provides water service to Savi Ranch, a commercial center located in proximity to Weir Canyon Road and Savi Ranch Parkway in Yorba Linda near the city's boundary with Anaheim. While Savi Ranch is beyond YLWD's service territory, the district provides water service to the area through an out-of-area agreement with the City of Yorba Linda. While not a high priority given the district's other goals and objectives, YLWD would one day like to annex Savi Ranch to its service territory.

Evaluation of Management Efficiencies

The Yorba Linda Water District's organizational structure is sound and efficient. A five-member Board of Directors elected at large governs the district. The Board employs a general manager who has full authority and responsibility for the district's daily operations and overall management of the district's 62 full-time employees.

Staff did not identify any issues regarding the district's management efficiencies.

Local Accountability & Governance

The Yorba Linda Water District's Board of Directors is elected by the district's constituents and is therefore held accountable to its ratepayers. All district meetings are conducted in public in accordance with the Brown Act. Further, the district maintains a public website (www.ylwd.com), which provides the necessary general information. The district's website also highlights information on the Board of Directors, including a Board member listing and the Board's monthly meeting time and location, as well as the Board's agendas and minutes.

Staff did not identify any issues regarding the district's local accountability and governance.

STATEMENT OF DETERMINATIONS – City of Yorba Linda

The present and planned land uses in the area, including agricultural and open-space lands

The City of Yorba Linda encompasses 19.9 square miles of territory in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south.

The predominant land uses within the City of Yorba Linda are single- and multi-family residential, commercial, industrial, public, and semi-public. The city is almost entirely built-out, and future land uses are expected to remain relatively constant.

The City of Yorba Linda established the Yorba Linda Redevelopment Agency and a single redevelopment project area – approximately 2,640 acres in the eastern portion of the City of Yorba Linda – in May 1983. In July 1990, the city amended the project area, extending it to include another 344 acres in the city’s commercial Town Center. The agency’s scope is the rehabilitation and redevelopment of blighted areas within the city’s territorial limits.

The present and probable need for public facilities and services in the area

The City of Yorba Linda has adequately addressed present and future need for services through its General Plan, biennial budget, and seven-year Capital Improvement Program. These documents, and the planning processes that spurn them, will help ensure that city services match projected growth.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

The City of Yorba Linda and its contracted service providers have adequate capacity and facilities to provide municipal services to the city’s current and future residents.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

Orange County LAFCO did not identify any social or economic communities of interest for the City of Yorba Linda during the municipal service review and sphere of influence review processes.

STATEMENT OF DETERMINATIONS – Yorba Linda Water District

The present and planned land uses in the area, including agricultural and open-space lands

The Yorba Linda Water District's service territory today spans approximately 14,280 acres, or 22.3 square miles, and has an estimated service population of 74,800 people. Its sphere of influence is slightly larger than its service territory, encompassing approximately 15,807 acres.

The district's actual service territory is mostly confined to the City of Yorba Linda and the city's two large unincorporated islands. However, the district also serves portions of the Cities of Anaheim, Brea, and Placentia (including one unincorporated island in Placentia), as well as some unincorporated County territory in the City of Yorba Linda's northern sphere. The district also serves some areas *beyond* its service territory through out-of-area agreements. The predominant land uses within the district's service territory is single- and multi-family residential, commercial, light industrial, public, and semi-public. The district's service territory is 90 percent developed, and future land uses are expected to remain relatively constant.

The present and probable need for public facilities and services in the area

The Yorba Linda Water District's Board of Directors and management staff address the present need for facilities and services through the district's planning processes, which include the adoption of a biennial budget and development of a Capital Improvement Program, which is part of the district's Domestic Water System Master Plan. The probable need for water and sewer service in the area will increase correspondingly with population growth in the service area. Though the service area is 90 percent developed, there are several major development and redevelopment projects on the horizon, which will contribute to the nearly 13 percent projected increase in population within the district's service territory over the next twenty years.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

The Yorba Linda Water District has adequate capacity and facilities to provide water and sewer services to its current customer base. However, it recognizes the need for some significant capital improvement projects in the next several years and has planned accordingly. The district's 2005-2007 budget includes an aggressive plan to complete several large capital improvement and replacement projects, including the Highland Reservoir replacement, the Bastanchury Reservoir and booster station replacement,

construction of a new administration building, and installation of transmission pipelines. The budget also includes a replacement plan for thousands of water meters that have outlived their recommended service lives.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The social and economic communities of interest relevant to this agency are the ratepayers within the Yorba Linda Water District's jurisdictional boundaries and those ratepayers the district serves beyond its service territory via executed out-of-area agreements. It is in YLWD and its customers' best interests that the district one day annexes the areas it serves outside its service territory. As such, staff recommends that the Commission modify YLWD's existing sphere of influence to include all territory within the City of Yorba Linda's corporate and sphere of influence boundaries, with the exception of an area in the southeastern corner of the city's sphere, which includes territory belonging to the Chino Hills State Park.

NOTICE OF EXEMPTION

TO: ☐ Clerk of the Board of
Supervisors

or

☒ County Clerk
County of: Orange

FROM: Orange County Local Agency
Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

1. Project Title: Municipal Service Review for the City of Yorba Linda (MSR 06-21)
2. Project Location: The project includes the City of Yorba Linda and unincorporated territory within the city's sphere of influence. The City of Yorba Linda is located in northeastern Orange County, near the confluence of Orange, Riverside, and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and the east, the City of Brea to the northwest, the City of Placentia to the west, and the City of Anaheim to the south.
3. (a) Project Location -- City: Yorba Linda (b) Project Location -- County: Orange
4. Description of nature, purpose, and beneficiaries of project: In accordance with Government Code 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. In conjunction with the municipal service reviews, LAFCO is required to update spheres of influence for the public agencies in the project area in accordance with Government Code Section 56425.
5. Name of public agency approving project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
6. Name of person or agency carrying out project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
7. Exempt status: (Check one)
 - (a) ☐ Ministerial project.
 - (b) ☒ Not a project.
 - (c) ☐ Emergency Project.
 - (d) ☒ Categorical Exemption. State type and class number: Class 6, State CEQA Guidelines Section 15306

- (e) ☐ Declared Emergency.
- (f) ☒ Statutory Exemption. State Code Section Number: Feasibility or planning studies for possible future actions that the Commission has not approved, adopted, or funded. (Sections 21102, 21150; Guidelines Sec. 15262)
- (g) ☒ Other. Explanation: State CEQA Guidelines Section 15061(b)(3).

8. Reason why project was exempt: The Commission has determined that the municipal service review is not a “project” within the meaning of the California Environmental Quality Act (CEQA) because conducting a municipal service review does not have any potential to cause an adverse change in the environment. To the extent that it may be so considered, it is exempt from the provisions of CEQA. First, the municipal services review is merely a planning study for possible future actions that have not been approved, adopted or funded, and therefore, conducting a municipal service review is statutorily exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15262.

Second, the municipal service review and sphere of influence update are Categorical Exempt from CEQA pursuant with Section 15306 of the Guidelines which exempts basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This exemption may be used strictly for information gathering purposes, or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted or funded. The information gathered for the municipal service review will not have an effect upon an environmental resource. The sphere of influence update will validate the boundaries of an existing sphere and no changes to that sphere of influence will occur.

Third, the Commission has determined that the municipal service review and sphere of influence update is also covered by the general rule of CEQA, Section 15061(b)(3) of the CEQA Guidelines that states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City of Yorba Linda municipal service review evaluates the city’s current operations and does not propose any changes or organization or reorganization. In addition, the city’s sphere of influence update will not change the area in which previously existing powers are exercised. As a result, the municipal service review will not have any impact upon the environment and therefore is not subject to CEQA.

9. Contact Person: Danielle Ball, Communications Analyst
Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
Telephone: (714) 834-6212

10. Attach Preliminary Exemption Assessment before filing.

Date Received for Filing: May 10, 2006

Signature (Lead Agency Representative)

(Clerk Stamp Here)

Joyce Crosthwaite
LAFCO Executive Officer

NOTICE OF EXEMPTION

TO: ☐ Clerk of the Board of
Supervisors

or

☒ County Clerk
County of: Orange

FROM: Orange County Local Agency
Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

1. Project Title: City of Yorba Linda Sphere of Influence Review (SOI 06-22)
2. Project Location: The City of Yorba Linda encompasses approximately 19.9 square miles (12,715 acres) of territory in northeastern Orange County, near the confluence of Orange, Riverside and San Bernardino Counties. The city is bordered by unincorporated County territory to the north and east, the City of Brea to the northwest, Placentia to the west, and Anaheim to the south. The City of Yorba Linda's sphere of influence comprises 14,926 acres and includes the existing corporate boundary, the "County Club" and "Fairlynn" unincorporated islands located in central Yorba Linda, the 600-acre "Murdock" property located in northeast Yorba Linda, and unincorporated territory located north of the city boundary and south of Chino Hills State Park.
3. (a) Project Location -- City: Yorba Linda (b) Project Location -- County: Orange
4. Description of nature, purpose, and beneficiaries of project: In accordance with Government Code Section 56430, LAFCO is required to conduct municipal services reviews (MSRs). MSRs are regional studies that look at how local agencies are planning for future growth. In conjunction with these regional studies, LAFCO is also required to update spheres of influence for the public agencies within the project area in accordance with Government Code Section 56425.
5. Name of public agency approving project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
6. Name of person or agency carrying out project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
7. Exempt status: (Check one)
 - (a) ☐ Ministerial project.
 - (b) ☒ Not a project.

- (c) ☐ Emergency Project.
- (d) ☒ Categorical Exemption. State type and class number: Class 6, State CEQA Guidelines Section 15306
- (e) ☐ Declared Emergency.
- (f) ☒ Statutory Exemption. State Code section number: State Code Section Number: Feasibility or planning studies for possible future actions that the Commission has not approved, adopted, or funded. (Sections 21102, 21150; Guidelines Sec. 15262)
- (g) ☒ Other. Explanation: State CEQA Guidelines Section 15061(b)(3).

8. Reason why project was exempt: First, the sphere of influence update are Categorically Exempt from CEQA pursuant with Section 15306 of the Guidelines which exempts basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This exemption may be used strictly for information gathering purposes, or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted or funded. The sphere of influence update will validate the boundaries of an existing sphere and no changes to that sphere of influence will occur.

Second, the Commission has determined that the sphere of influence update is also covered by the general rule of CEQA, Section 15061(b)(3) of the CEQA Guidelines that states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The City of Yorba Linda's sphere of influence update will not change the area in which previously existing powers are exercised. As a result, the sphere of influence update will not have any impact upon the environment and therefore is not subject to CEQA.

9. Contact Person: Danielle Ball, Communications Analyst
Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
Telephone: (714) 834-6212

10. Attach Preliminary Exemption Assessment before filing.

Date Received for Filing: May 10, 2006

Signature (Lead Agency Representative)

(Clerk Stamp Here)

Joyce Crosthwaite
LAFCO Executive Officer

De Minimus Impact Finding

Project Title: City of Yorba Linda Municipal Service Review and Sphere of Influence Update (MSR 06-21 & SOI 06-22)

Findings of Exemption:

Orange County LAFCO reviewed the CEQA guidelines and recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning Studies and determined spheres of influence updates with no recommended change to be exempt from CEQA as not a project under CEQA Guidelines §21065.

LAFCO further finds that: (1) The Statutory Exemption evaluated the effects of the project on wildlife resources, if any. (2) There is no evidence before the Commission that the municipal service review study and sphere of influence update will have any potential or adverse effect on wildlife resources. (3) The municipal service review or sphere update will not result in any changes to the following resources: (A) Riparian land, rivers, streams, watercourses and wetlands; (B) Native and non-native plant life and the soil required to sustain habitat for fish and wildlife; (C) Rare and unique plant life and ecological communities dependant on plant life; (D) Listed threatened and endangered plants and animals and the habitat in which they are believed to reside; (E) All species listed as protected or identified for special management in the Fish and Game Code, the Public Resources Code, the Water Code or regulations adopted thereunder; (F) All marine and terrestrial species subject to the jurisdiction of the Department of Fish and Game and the ecological communities in which they reside; and (G) All air and water resources, the degradation of which will individually or cumulatively result in the loss of biological diversity among the plants and animals residing in the air and water.

Certification: I hereby certify that Orange County LAFCO has made the above finding(s) of fact and based upon the Notice of Exemption issued by LAFCO, the municipal service review or sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Joyce Crosthwaite

Executive Officer

Date: May 10, 2006

NOTICE OF EXEMPTION

TO: ☐ Clerk of the Board of
Supervisors

or

☒ County Clerk
County of: Orange

FROM: Orange County Local Agency
Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

1. Project Title: Yorba Linda Water District Municipal Service Review (MSR 06-23)
2. Project Location: The Yorba Linda Water District provides water service, sewer service, or a combination of both, to an estimated 74,800 people in portions of the Cities of Yorba Linda, Anaheim, Brea and Placentia as well as three unincorporated islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda's sphere of influence.
3. (a) Project Location -- City: Portions of Yorba Linda, Anaheim, Brea and Placentia
(b) Project Location – County: Orange
4. Description of nature, purpose, and beneficiaries of project: In accordance with Government Code Section 56430, LAFCO is required to conduct regional studies (municipal service reviews) on future growth and how local agencies are planning for that growth. In conjunction with the municipal service reviews, LAFCO is required to update spheres of influence for the public agencies in the project area in accordance with Government Code Section 56423.
5. Name of Public Agency approving project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
6. Name of person or agency carrying out project: Orange County Local Agency Formation Commission, 12 Civic Center Plaza, Rm. 235, Santa Ana, CA 92701
7. Exempt status: (Check one)
 - (a) ☐ Ministerial project.
 - (b) ☒ Not a project.
 - (c) ☐ Emergency Project.
 - (d) ☒ Categorical Exemption. State type and class number: Class 6, State CEQA Guidelines Section 15306
 - (e) ☐ Declared Emergency.

- (f) ☒ Statutory Exemption. State Code Section Number: Feasibility or planning studies for possible future actions that the Commission has not approved, adopted, or funded. (Sections 21102, 21150; Guidelines Sec. 15262)
- (g) ☒ Other. Explanation: State CEQA Guidelines Section 15061(b)(3).

8. Reason why project was exempt: The Commission has determined that the municipal service review is not a "project" within the meaning of the California Environmental Quality Act (CEQA) because conducting a municipal service review does not have any potential to cause an adverse change in the environment. To the extent that it may be so considered, it is exempt from the provisions of CEQA. First, the municipal services review is merely a planning study for possible future actions that have not been approved, adopted or funded, and therefore, conducting a municipal service review is statutorily exempt from the provisions of CEQA pursuant to State CEQA Guidelines Section 15262.

Second, the municipal service review is Categorical Exempt from CEQA pursuant with Section 15306 of the Guidelines which exempts basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. This exemption may be used strictly for information gathering purposes, or as part of a study leading to an action which a public agency (LAFCO) has not yet approved, adopted or funded. The information gathered for the municipal service review will not have an effect upon an environmental resource.

Third, the Commission has determined that the municipal service review is also covered by the general rule of CEQA, Section 15061(b)(3) of the CEQA Guidelines that states that CEQA only applies to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The Yorba Linda Water District municipal service review evaluates the district's current operations and does not propose any changes or organization or reorganization. As a result, the municipal service review will not have any impact upon the environment and therefore is not subject to CEQA.

9. Contact Person: Danielle Ball, Communications Analyst
Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
Telephone: (714) 834-6212

10. Attach Preliminary Exemption Assessment before filing.

Date Received for Filing: May 10, 2006

Signature (Lead Agency Representative)

(Clerk Stamp Here)

Joyce Crosthwaite
LAFCO Executive Officer

ENVIRONMENTAL CHECKLIST FORM

ATTACHMENT H

1. Project Title: Yorba Linda Water District Sphere of Influence Update
2. Lead Agency Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
3. Contact Person and Phone Number: Danielle Ball, Communications Analyst, (714) 834-6212
4. Project Location: The Yorba Linda Water District provides water service, sewer service, or a combination of both, to an estimated 74,800 people in the Cities of Yorba Linda, Anaheim, Brea, Placentia, three unincorporated islands – two in the City of Yorba Linda and one in the City of Placentia – and some unincorporated territory in the City of Yorba Linda’s northern sphere.
5. Project Sponsor's Name and Address: Orange County LAFCO
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701
6. General Plan Designation: Residential, Industrial, Commercial and Open Space
7. Zoning: Residential, Industrial, Commercial and Open Space
8. Description of Project: Pursuant to California Code of Regulations, Title 14, Section 15074, the Commission will review and consider the adoption of a negative declaration relating to the proposed update of the Yorba Linda Water District sphere of influence. The proposed sphere of influence for the Yorba Linda Water District expands the District’s sphere boundary by 665 acres. The negative declaration confirms the findings of the associated initial study that the proposed project will not have a significant effect on the environment.

In accordance with Government Code Section 56425 and the LAFCO Sphere of Influence Policy, LAFCO is required to review an agency’s sphere of influence every five years in conjunction with conducting municipal service reviews. LAFCO is required to establish a sphere of influence to identify probable future boundaries and service areas of all cities and special districts.

LAFCO is recommending that the Yorba Linda Water District sphere of influence be expanded by 665 acres to include all territory with the City of Yorba Linda’s corporate and sphere of influence boundaries, with the exception of the Chino Hills State Park. This would mean expanding the District’s southern and southeastern sphere boundaries.
9. Surrounding Land Uses and Setting: The district’s service area generally consists of a suburban “bedroom” community of “white collar” professionals. It is 90 percent developed. While there are several commercial and light-industrial centers concentrated in the southern and eastern portions of the district’s service area, no heavy industrial activity or manufacturing occurs within the district’s service territory.
10. Other public agencies whose approval is required (e.g., permits, financing approval, or participation agreement): None

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED:

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

- | | | |
|---------------------------------|--------------------------------------|----------------------------|
| ~ Aesthetics | ~ Agriculture Resources | ~ Air Quality |
| ~ Biological Resources | ~ Cultural Resources | ~ Geology / Soils |
| ~ Hazards & Hazardous Materials | ~ Hydrology / Water Quality | ~ Land Use / Planning |
| ~ Mineral Resources | ~ Noise | ~ Population / Housing |
| ~ Public Services | ~ Recreation | ~ Transportation / Traffic |
| ~ Utilities / Service Systems | ~ Mandatory Findings of Significance | |

DETERMINATION (To be completed by the Lead Agency):

On the basis of this initial evaluation:

- ✓ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.
- ~ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared.
- ~ I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.
- ~ I find that the proposed project MAY have a "potentially significant or "potentially significant unless mitigated" impact on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.
- ~ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.

Signature
Joyce Crosthwaite, Executive Officer

Printed Name

May 10, 2006
Date
Orange County LAFCO
For

EVALUATION OF ENVIRONMENTAL IMPACTS:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

I. AESTHETICS. Would the project:

- | | |
|--|---|
| a) Have a substantial adverse effect on a scenic vista? | X |
| b) Substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway? | X |
| c) Substantially degrade the existing visual character or quality of the site and its surroundings? | X |
| d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area? | X |

DISCUSSION: The project will not result in any significant direct or cumulative impacts on the aesthetics of the project area. This includes not adversely affecting scenic vistas, damaging scenic resources, degrading visual character, or creating new sources of light.

II. AGRICULTURE RESOURCES. In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Dept. of Conservation as an optional model to use in assessing impacts on agriculture and farmland. Would the project:

- | | |
|--|---|
| a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use? | X |
| b) Conflict with existing zoning for agricultural use, or a Williamson Act contract? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- c) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use?

X

DISCUSSION: The proposed project will not cause any specific new developments to be undertaken and will not result in any significant direct or cumulative impacts on the agricultural resources of the project area.

III. AIR QUALITY. Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:

- a) Conflict with or obstruct implementation of the applicable air quality plan?
- b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?
- c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is nonattainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?
- d) Expose sensitive receptors to substantial pollutant concentrations?
- e) Create objectionable odors affecting a substantial number of people?

X

X

X

X

X

DISCUSSION: The project will not result in any significant direct or cumulative impact on the air quality within the project area. This includes not violating air quality standards or creating objectionable odors.

IV. BIOLOGICAL RESOURCES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|--|--|--|---|
| a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | | | X |
| b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service? | | | X |
| c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means? | | | X |
| d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites? | | | X |
| e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance? | | | X |
| f) Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan? | | | X |

DISCUSSION: The project will not result in any specific new developments to be built. The project will not result in any significant direct or cumulative impacts on the biological resources of the project area and this includes adversely affecting endangered, threatened, or rare species and their habitat.

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

V. CULTURAL RESOURCES. Would the project:

- | | |
|--|---|
| a) Cause a substantial adverse change in the significance of a historical resource as defined in § 15064.5? | X |
| b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5? | X |
| c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature? | X |
| d) Disturb any human remains, including those interred outside of formal cemeteries? | X |

DISCUSSION: The project will not result in any significant direct or cumulative impacts on the cultural resources of the project area.

VI. GEOLOGY AND SOILS -- Would the project:

- | | |
|--|---|
| a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury or death involving: | X |
| i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42. | X |
| ii) Strong seismic ground shaking? | X |
| iii) Seismic-related ground failure, including liquefaction? | X |
| iv) Landslides? | X |
| b) Result in substantial soil erosion or the loss of topsoil? | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|--|--|--|---|
| c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse? | | | X |
| d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property? | | | X |
| e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water? | | | X |

DISCUSSION: The sphere of influence update will not result in any significant direct or cumulative impacts on the geology or soils of the project area including contributing to soil erosion or exposing individuals or structures to loss, such as injury or death, resulting from earthquakes or landslides.

VII. HAZARDS AND HAZARDOUS MATERIALS.
Would the project:

- | | | | |
|--|--|--|---|
| a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials? | | | X |
| b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment? | | | X |
| c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school? | | | X |
| d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code section 65962.5 and, as a result, would it create a significant hazard to the public or the environment? | | | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | | | |
|--|--|--|---|
| e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area? | | | X |
| f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area? | | | X |
| g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan? | | | X |
| h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands? | | | X |

DISCUSSION: Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to creating hazards or hazardous materials within the project area.

VIII. HYDROLOGY AND WATER QUALITY. Would the project:

- | | | | |
|---|--|--|---|
| a) Violate any water quality standards or waste discharge requirements? | | | X |
| b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)? | | | X |
| c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site? | | | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
--------------------------------------	--	------------------------------------	-----------

- | | | | |
|---|--|--|---|
| d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site? | | | X |
| e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff? | | | X |
| f) Otherwise substantially degrade water quality? | | | X |
| g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map? | | | X |
| h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows? | | | X |
| i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam? | | | X |
| j) Inundation by seiche, tsunami, or mudflow? | | | X |

DISCUSSION: Adoption of an updated sphere of influence for the Yorba Linda Water District will not result in a depletion of groundwater supplies, alteration of existing drainage patterns, creation of runoff water, exposure of people to a significant risk of flooding nor will it result in a net deficit in aquifer volume.

IX. LAND USE AND PLANNING. Would the project:

- | | | | |
|---|--|--|---|
| a) Physically divide an established community? | | | X |
| b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect? | | | X |

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- c) Conflict with any applicable habitat conservation plan or natural community conservation plan?

X

DISCUSSION: The proposed sphere update will not result in any specific new developments to be built. Updating the agency's sphere of influence will not result in any significant direct or cumulative impacts with respect to land use planning within the project area.

X.MINERAL RESOURCES. Would the project:

- a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?
- b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?

X

X

DISCUSSION: The project will not result in any significant direct or cumulative impacts on the mineral resources of the project area. This includes not incurring the loss of known valuable resources.

XI. NOISE. Would the project result in:

- a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?
- b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?
- c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?
- d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?

X

X

X

X

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | |
|---|---|
| e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels? | X |
| f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?. | X |

DISCUSSION: The project will not result in any significant direct or cumulative impacts on noise levels within the project area. This includes not exposing individuals to excess ground borne vibrations or substantially increasing ambient noises, whether temporary, periodical, or permanent.

XII. POPULATION AND HOUSING. Would the project:

- | | |
|--|---|
| a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of road or other infrastructure)? | X |
| b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere? | X |
| b) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere? | X |

DISCUSSION: A District's sphere of influence identifies the ultimate service area of that district. Updating a sphere of influence has not affect on land use and will not result in any substantial population growth or displacement of housing or people.

XIII. PUBLIC SERVICES. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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a) Result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:				X
Fire protection?				X
Police protection?				X
Schools?				X
Parks?				X
Other public facilities?				X

DISCUSSION: The proposed sphere of influence update will have no significant adverse impacts on government facilities providing fire, police, schools, parks or other public facilities. The proposed sphere of influence update will not result in a change of service providers.

XIV. RECREATION. Would the project:

a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?				X
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which have an adverse physical effect on the environment?				X

DISCUSSION: The project will not result in any significant direct or cumulative impacts on recreational services within the project area including increasing the use of existing neighborhood and regional parks.

XV. TRANSPORTATION / TRAFFIC. Would the project:

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | | | |
|--|--|--|---|
| a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)? | | | X |
| b) Exceed, either individually or cumulatively, a level of service standard established by the county congestion management agency for designated roads or highways? | | | X |
| c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks? | | | X |
| d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)? | | | X |
| e) Result in inadequate emergency access? | | | X |
| f) Result in inadequate parking capacity? | | | X |
| g) Conflict with adopted policies, plans, or programs supporting alternative transportation (e.g., bus turnouts, bicycle racks)? | | | X |

DISCUSSION: The project will not result in any significant direct impact or cumulative impacts relating to transportation or circulation within the project area. This includes not causing an increase in street or air traffic patterns, creating inadequate emergency access or parking capacity, or conflicting with adopted transportation policies.

XVI. UTILITIES AND SERVICE SYSTEMS. Would the project:

- | | | | |
|---|--|--|---|
| a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board? | | | X |
|---|--|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | | | |
|---|--|--|---|
| b) Require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | | | X |
| c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects? | | | X |
| d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed? | | | X |
| e) Result in a determination by the wastewater treatment provider which serves or may serve the project that it has adequate capacity to serve the project's projected demand in addition to the provider's existing commitments? | | | X |
| f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs? | | | X |
| g) Comply with federal, state, and local statutes and regulations related to solid waste? | | | X |

DISCUSSION: The proposed sphere of influence update will have no impact on the ability of the Yorba Linda Water District to serve existing customers or result in the construction of new, or expansion of existing, water, wastewater, and storm water drainage facilities.

XVII. MANDATORY FINDINGS OF SIGNIFICANCE

- | | | | |
|--|--|--|---|
| a) Does the project have the potential to substantially degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of an endangered, rare or threatened species; or eliminate important examples of the major periods of California history or prehistory? | | | X |
|--|--|--|---|

Issues:

Potentially Significant Impact	Less Than Significant With Mitigation Incorporated	Less Than Significant Impact	No Impact
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- | | |
|---|---|
| b) Does the project have the potential to achieve short-term environmental goals to the disadvantage of long-term environmental goals? | X |
| c) Does the project have impacts that are individually limited, but cumulatively considerable? (“Cumulatively considerable” means that the incremental effects of a project are significant when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.) | X |
| d) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly? | X |

DISCUSSION: The project will not result in any significant direct or cumulative impacts relating to mandatory findings of significance within the project area. This includes not degrading the quality of the environment or causing substantial adverse effects on individuals, whether directly or indirectly.

De Minimus Impact Finding

Project Title: Yorba Linda Water District Municipal Service Review and Sphere of Influence Update (MSR 06-23 & SOI 06-24)

Findings of Exemption:

Orange County LAFCO reviewed the CEQA guidelines and recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning Studies and determined spheres of influence updates with no recommended change to be exempt from CEQA as not a project under CEQA Guidelines §21065.

LAFCO further finds that: (1) The Statutory Exemption evaluated the effects of the project on wildlife resources, if any. (2) There is no evidence before the Commission that the municipal service review study and sphere of influence update will have any potential or adverse effect on wildlife resources. (3) The municipal service review or sphere update will not result in any changes to the following resources: (A) Riparian land, rivers, streams, watercourses and wetlands; (B) Native and non-native plant life and the soil required to sustain habitat for fish and wildlife; (C) Rare and unique plant life and ecological communities dependant on plant life; (D) Listed threatened and endangered plants and animals and the habitat in which they are believed to reside; (E) All species listed as protected or identified for special management in the Fish and Game Code, the Public Resources Code, the Water Code or regulations adopted thereunder; (F) All marine and terrestrial species subject to the jurisdiction of the Department of Fish and Game and the ecological communities in which they reside; and (G) All air and water resources, the degradation of which will individually or cumulatively result in the loss of biological diversity among the plants and animals residing in the air and water.

Certification: I hereby certify that Orange County LAFCO has made the above finding(s) of fact and based upon the Notice of Exemption issued by LAFCO, the municipal service review or sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

Joyce Crosthwaite

Executive Officer

Date: May 10, 2006

MSR 06-21

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
MUNICIPAL SERVICE REVIEW FOR THE
CITY OF YORBA LINDA**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission ("LAFCO") adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-21) and an accompanying sphere of influence update for the City of Yorba Linda (SOI 06-22), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the municipal service review for the City of Yorba Linda (MSR 06-21) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the city; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set May 10, 2006 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the City of Yorba Linda; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the City of Yorba Linda was determined to be exempt from CEQA under State CEQA Guidelines §15262, which exempts feasibility and planning studies, §15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource, and §15061(b)(3), which states that CEQA only applies to projects that have the potential for causing a significant effect on the environment; and

WHEREAS, LAFCO certified that based upon the Notice of Exemption, the municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The municipal service review for the City of Yorba Linda (MSR 06-21), together with the written statement of determination, is determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, §15306, and §15061(b)(3), as previously explained herein.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.
- c) The municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- d) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the municipal service review for the City of Yorba Linda (MSR 06-21) as presented to the Commission on May 10, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the municipal service review for the City of Yorba Linda, dated May 10, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the City of Yorba Linda, shown as "Exhibit A."

Section 3. This review is assigned the following distinctive short-form designation: "Municipal Service Review for the City of Yorba Linda" (MSR 06-21).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES: COMMISSIONERS _____

NOES: _____

STATE OF CALIFORNIA)
) SS.

COUNTY OF ORANGE)

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of May, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: _____
Robert Bouer

SOI 06-22

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
SPHERE OF INFLUENCE FOR THE
CITY OF YORBA LINDA**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission ("LAFCO") adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-21), as an accompanying report to the sphere of influence update for the City of Yorba Linda (SOI 06-22) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the sphere of influence update for the City of Yorba Linda (SOI 06-22) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the city; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set May 10, 2006 as the hearing date on this sphere of influence study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the designation of a sphere of influence for the City of Yorba Linda; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, the sphere of influence update for the City of Yorba Linda was determined to be exempt from CEQA pursuant to State CEQA Guidelines §15061b(3), which states that a project is exempt from CEQA where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and §15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource; and

WHEREAS, LAFCO certified that based upon the Notice of Exemption, the sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The sphere of influence review for the City of Yorba Linda (SOI 06-22), together with the written statement of determination, is determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15306 and §15061(b)(3), as previously explained herein.
- b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.
- c) The sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- d) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the sphere of influence update for the City of Yorba Linda (SOI 06-22) as presented to the Commission on May 10, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the sphere of influence update of the City of Yorba Linda, dated May 10, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the City of Yorba Linda, shown as "Exhibit A."
- c) The Commission has reaffirmed the City of Yorba Linda's current sphere of influence as shown on the attached map labeled "Exhibit B."

Section 3. This review is assigned the following distinctive short-form designation: "Sphere of Influence Update for the City of Yorba Linda" (SOI 06-22).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES: COMMISSIONERS _____

NOES: _____

[illegible]

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of May, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: Robert Bouer

MSR 06-23

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
MUNICIPAL SERVICE REVIEW FOR THE
YORBA LINDA WATER DISTRICT**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission ("LAFCO") adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-23) and an accompanying sphere of influence update for the Yorba Linda Water District (SOI 06-24), and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the municipal service review for the Yorba Linda Water District (MSR 06-23) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the district; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set May 10, 2006 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the Yorba Linda Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the Yorba Linda Water District was determined to be exempt from CEQA under State CEQA Guidelines §15262, which exempts feasibility and planning studies, §15306, which exempts basic data collection and research activities that do not result in a major disturbance to an environmental resource, and §15061(b)(3), which states that CEQA only applies to projects that have the potential for causing a significant effect on the environment; and

WHEREAS, LAFCO certified that based upon the Notice of Exemption, the municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) The municipal service review for the Yorba Linda Water District (MSR 06-23), together with the written statement of determination, is determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, §15306, and §15061(b)(3), as previously explained herein.
- b) The Commission directs the Executive Officer to file a Notices of Exemption as the lead agency under Section 15062.
- c) The municipal service review will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- d) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the municipal service review for the Yorba Linda Water District (MSR 06-23) as presented to the Commission on May 10, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the municipal service review for the Yorba Linda Water District, dated May 10, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the Yorba Linda Water District, shown as "Exhibit A."

Section 3. This review is assigned the following distinctive short-form designation: "Municipal Service Review for the Yorba Linda Water District" (MSR 06-23).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES: COMMISSIONERS _____

NOES: _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of May, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: _____
Robert Bouer

SOI 06-24

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
SPHERE OF INFLUENCE FOR THE
YORBA LINDA WATER DISTRICT**

May 10, 2006

On motion of Commissioner _____, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (“LAFCO”) adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-23), as an accompanying report to the sphere of influence update for the Yorba Linda Water District (SOI 06-24) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the sphere of influence update for the Yorba Linda Water District (SOI 06-24) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the district; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set May 10, 2006 as the hearing date on this sphere of influence study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the designation of a sphere of influence for the Yorba Linda Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on May 10, 2006, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, following the completion of an Initial Study, it was determined that the proposed project would not have a significant effect on the environment and a Negative Declaration was prepared; and

WHEREAS, LAFCO certified that based upon the Notice of Exemption, the sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:

- a) Following completion of an Initial Study, it was determined amending the Yorba Linda Water District's sphere of influence would not have a significant environmental effect on the environment as determined by the California Environmental Quality Act. Accordingly, a draft Negative

Declaration was prepared and noticed in accordance with existing guidelines for implementing CEQA.

- b) The Commission has reviewed the draft Negative Declaration, and as lead agency, hereby adopts the Negative Declaration for the Yorba Linda Water District sphere of influence update.
- c) The sphere of influence update will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the Fish and Game Code.
- d) The Commission directs the Executive Officer to file a *de minimus* statement with California Wildlife, Fish and Game.

Section 2. Determinations

- a) The Commission accepts the report for the sphere of influence update for the Yorba Linda Water District (SOI 06-24) as presented to the Commission on May 10, 2006.
- b) The Executive Officer's staff report and recommendation for approval of the sphere of influence update of the Yorba Linda Water District, dated May 10, 2006, are hereby adopted.
- b) The Commission has adopted the accompanying Statement of Determinations for the Yorba Linda Water District, shown as "Exhibit A."
- c) The Commission has reaffirmed the Yorba Linda Water District's current sphere of influence as shown on the attached map labeled "Exhibit B."

Section 3. This review is assigned the following distinctive short-form designation: "Sphere of Influence Update for the Yorba Linda Water District" (SOI 06-24).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES: COMMISSIONERS _____

NOES: _____

[illegible]

I, ROBERT BOUER, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 10th day of May, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of May, 2006.

ROBERT BOUER
Chair of the Orange County
Local Agency Formation Commission

By: _____
Robert Bouer



May 10, 2006

CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

VICE CHAIR
BILL CAMPBELL
Supervisor
Third District

PETER HERZOG
Councilmember
City of Lake Forest

ARLENE SCHAFER
Director
Costa Mesa
Sanitary District

SUSAN WILSON
Representative of
General Public

TOM WILSON
Supervisor
Fifth District

JOHN WITHERS
Director
Irvine Ranch Water District

ALTERNATE
PATSY MARSHALL
Councilmember
City of Buena Park

ALTERNATE
RHONDA MCCUNE
Representative of
General Public

ALTERNATE
JAMES W. SILVA
Supervisor
Second District

ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer
Project Manager

SUBJECT: LAFCO Final Budget for FY 2006-2007

Background

On April 12, 2006, your Commission adopted a proposed budget for FY 2006-2007 for all LAFCO operations. A copy of the staff report is attached for your review (see Attachment 3). The proposed budget incorporates a six percent (6%) increase to our funding agencies (the County, cities and special districts) and is consistent with the three-year budget adopted by the Commission in April 2005. The FY 2006-2007 budget identifies contributions from our funding agencies totaling \$1,045,982. The County, cities and special districts will equally divide this cost, each paying \$348,661.

Special District and City Cost Allocations

At the direction of the Commission, LAFCO met with the Independent Special Districts of Orange County (ISDOC) Executive Committee on April 18, 2006. The Executive Committee approved an adjustment to the special district allocations for FY 2006-2007 which more equitably distributes costs among all enterprise and non-enterprise special districts. For your review, Attachment 1 includes a comparison of special district contributions to LAFCO in both FY 2005-2006 and FY 2006-2007. Attachment 2 provides the Commission with a similar comparison of city cost allocations for FYs 2005-2006 and 2006-2007.

Request for Comments

On April 14, 2006, the proposed LAFCO budget was distributed to the Board of Supervisors, each city and each independent special district for review and comment. No significant comments regarding the proposed budget were received by staff.

May 10, 2006
Re: Proposed LAFCO Budget
Page 2

Recommendations

Staff recommends that the Commission:

1. Adopt the Final LAFCO operating budget for Fiscal Year 2006-2007.
2. Direct staff to distribute the LAFCO Final Budget to the Board of Supervisors, each city, each independent district and the County Auditor.

Respectfully submitted,

JOYCE CROSTHWAITE

CAROLYN EMERY

BOB ALDRICH

Attachments:

1. *Special District Allocations*
2. *City Allocations*
3. *April 12, 2006 Staff Report*

ATTACHMENT 1

Special District Allocations – FY 2006-2007

DISTRICT	FY 2005-2006 LAFCO COSTS	FY 2006-2007 LAFCO COSTS
Surfside Colony Storm water	\$250	\$250
Surfside Colony CSD	\$250	\$250
Capistrano Bay CSD	\$500	\$500
Rossmoor CSD	\$500	\$500
Silverado-Modjeska Rec & Park District	\$500	\$500
Rossmoor/Los Alamitos Sewer	\$500	\$500
Three Arch Bay CSD	\$1,000	\$1,000
Placentia Library	\$1,000	\$1,000
Buena Park Library	\$2,000	\$2,000
Orange County Vector Control	\$2,000	\$2,000
Orange County Cemetery	\$2,000	\$2,000
Emerald Bay CSD	\$5,022	\$5,346
Santiago Canyon Water	\$5,022	N/A
Sunset Beach Sanitary	\$5,022	\$5,346
Midway City Sanitary	\$10,929	\$11,748
Serrano Water	\$10,929	\$11,748
East Orange County Water District	\$10,929	\$11,748
Costa Mesa Sanitary	\$16,542	\$17,831
Trabuco Canyon Water & Sewer	\$16,542	\$17,831
Yorba Linda Water & Sewer	\$22,450	\$24,243
South Coast Water & Sewer	\$22,450	\$24,243
El Toro Water & Sewer	\$22,449.27	\$24,243
Mesa Consolidated Water	\$22,449.27	\$24,243
Irvine Ranch Water & Sewer	\$29,538.51	\$31,918
Moulton Niguel Water & Sewer	\$29,538.51	\$31,918
MWDOC Water	\$29,538.51	\$31,918
OCWD Water	\$29,538.51	\$31,918
Santa Margarita Water & Sewer	\$29,538.51	\$31,918
TOTAL	\$328,925	\$348,660

ATTACHMENT 2

City Allocations – FY 2006-2007

CITY	FY 2005-2006 LAFCO COSTS	FY 2006-2007 LAFCO COSTS
Aliso Viejo	\$4,880.72	\$5,145.62
Anaheim	\$36,724.65	\$38,874.34
Brea	\$5,335.38	\$5,667.21
Buena Park	\$8,283.03	\$8,738.22
Costa Mesa	\$11,897.12	\$12,538.11
Cypress	\$5,155.15	\$5,451.40
Dana Point	\$4,229.44	\$4,466.84
Fountain Valley	\$6,346.29	\$6,739.39
Fullerton	\$15,025.74	\$15,917.61
Garden Grove	\$16,814.65	\$17,742.16
Huntington Beach	\$20,938.34	\$22,259.75
Irvine	\$24,933.89	\$26,975.16
Laguna Beach	\$3,551.66	\$3,756.03
Laguna Hills	\$3,919.34	\$4,142.21
Laguna Niguel	\$8,133.58	\$8,594.76
Laguna Woods	\$2,030.57	\$2,141.69
La Habra	\$6,227.57	\$6,568.47
Lake Forest	\$9,493.99	\$10,017.17
La Palma	\$1,645.73	\$1,735.06
Los Alamitos	\$1,827.12	\$1,930.55
Mission Viejo	\$11,146.62	\$11,757.57
Newport Beach	\$11,532.54	\$12,327.45
Orange	\$15,430.84	\$16,309.93
Placentia	\$5,200.18	\$5,499.37
Rancho Santa Margarita	\$6,527.61	\$6,889.70
San Clemente	\$8,644.42	\$9,281.32
San Juan Capistrano	\$5,741.25	\$6,069.56
Santa Ana	\$32,341.41	\$34,159.82
Seal Beach	\$4,509.22	\$4,783.99
Stanton	\$3,594.32	\$3,789.57
Tustin	\$7,694.82	\$8,131.99
Villa Park	\$920.71	\$972.09
Westminster	\$9,126.19	\$9,651.70
Yorba Linda	\$9,120.89	\$9,735.18
TOTALS	\$328,925.00	\$348,661.00



April 12, 2006

CHAIR
SUSAN WILSON
Representative of
General Public

VICE CHAIR
ROBERT BOUER
Councilmember
City of Laguna Woods

BILL CAMPBELL
Supervisor
Third District

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ALTERNATE
CHARLEY WILSON
Director
Santa Margarita
Water District

JOYCE CROSTHWAITE
Executive Officer

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Proposed LAFCO Budget for Fiscal Year 2006-2007

BACKGROUND

Government Code Section 56381(a) requires the Commission to adopt a proposed budget for all LAFCO operations by May 1st of each year. Following adoption, the proposed budget is distributed for review and comment to the Board of Supervisors, each city, the City Selection Committee, each independent special district, and the Independent Special Districts of Orange County (ISDOC) Selection Committee. The final LAFCO budget is required to be adopted by the Commission no later than June 15, 2006.

During last year's budget cycle, the Commission adopted a three-year budget which covers (FY) 2005-2006, 2006-2007 and 2007-2008. The three-year budget incorporates a six percent (6%) increase to our funding agencies (the County, cities and special districts) for each of the three fiscal years (see Table 1 below). The proposed FY 2006-2007 LAFCO budget is consistent with the three-year budget adopted by the Commission in April 2005.

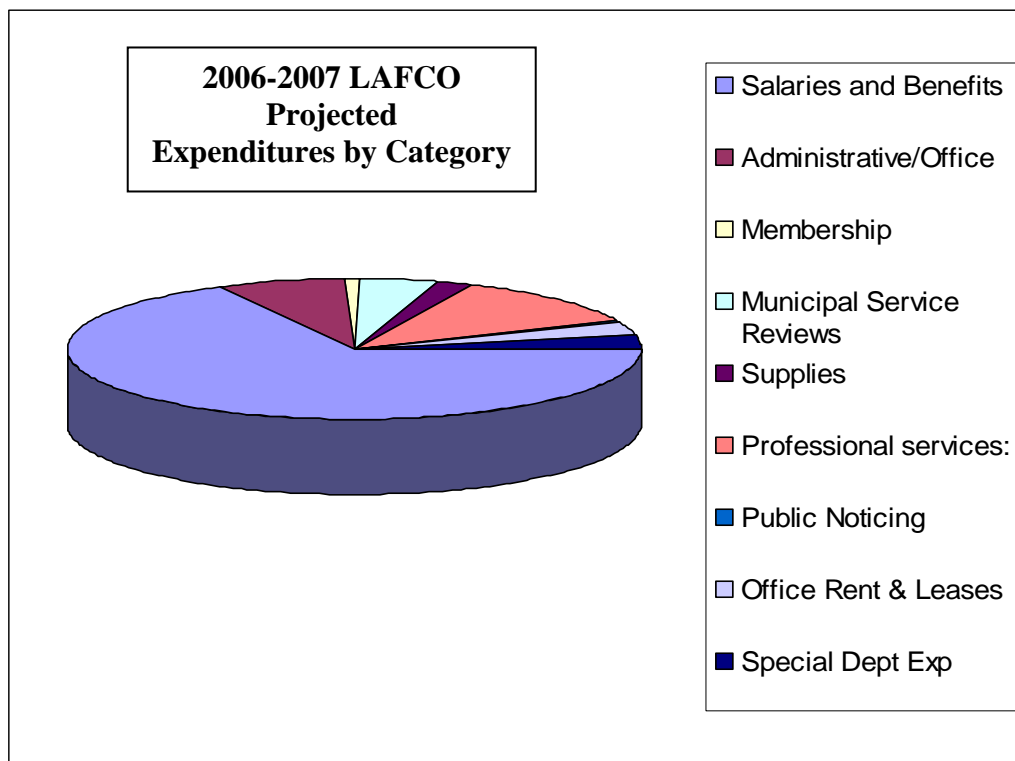
Table 1: Approved Increases to Funding Agency Contributions

Fiscal Year	2005/2006	2006/2007	2007/2008
Total Funding Contribution	\$986,775	\$1,045,982	\$1,108,741
County, City, Special District Share	\$328,925	\$348,661	\$369,580
Percent Increase	-	6%	6%

For your Commission's consideration, the proposed FY 2006-2007 LAFCO budget is presented as *Attachment 1* of this staff report. LAFCO's Executive Committee, consisting of Commissioners Bob Bouer, Bill Campbell and Susan Wilson, met with LAFCO staff on April 6, 2006 to discuss and review the proposed budget.

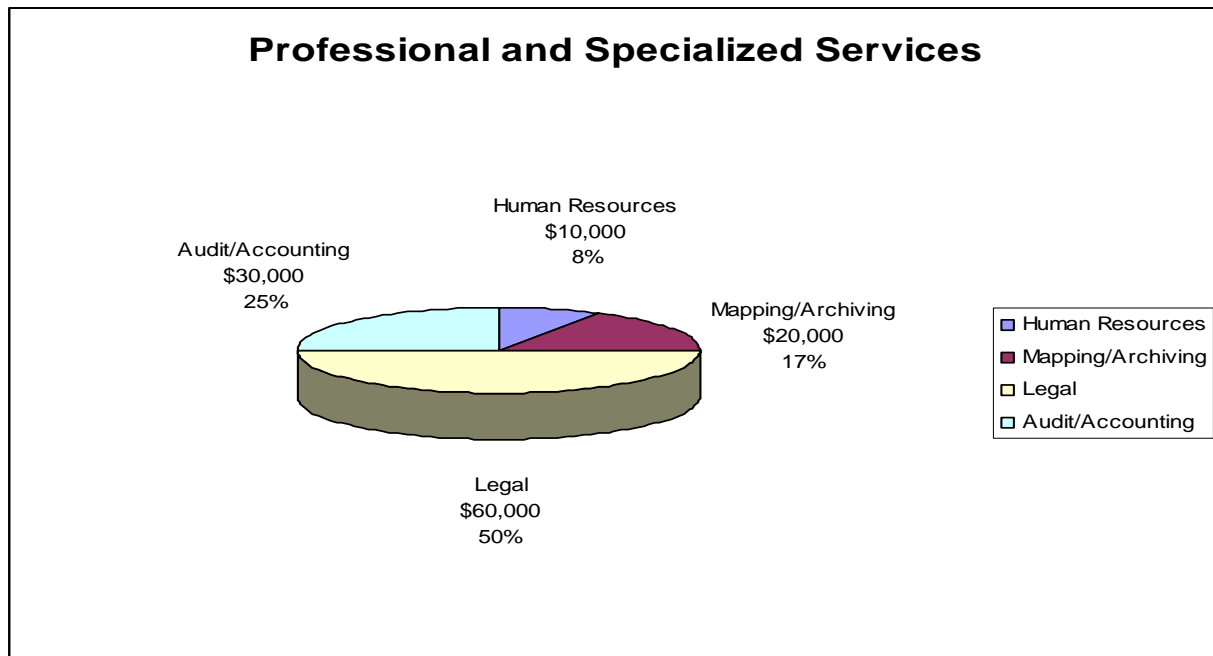
2006-2007 BUDGET OVERVIEW

Staff salaries and benefits represent the highest expenditure category within the proposed budget, representing approximately 69% of the projected FY 2006-07 expenditures. Staff was able to reduce agency retirement costs in FY 2006-07 by taking advantage of a "prepayment option" offered by the Orange County Retirement System (OCERS). By paying the agency's employer contribution for FY 2006-2007 in advance, LAFCO was eligible to receive a 7.5% discount in the total agency contributions amounting to approximately \$8,500 in annual savings.



The "Professional and Specialized Services" category represents the largest services and supply account, totaling \$120,000. It includes bookkeeping and accounting/auditing services and contracted services for legal counsel, human resources and

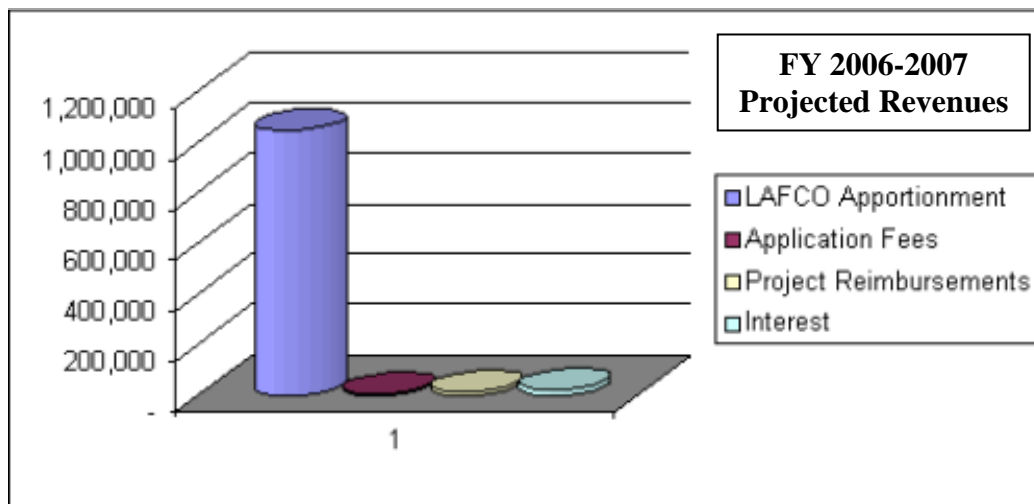
mapping/GIS/archiving services. This is a \$20,000 budget reduction over last year's professional services category because the majority of the archiving project costs were incurred during FY 2005-2006. The percentage and distribution of these costs are depicted below:



Revenues

Projected FY 2006-2007 LAFCO revenues total \$1,083,982. Ninety-six percent (96%) of the agency's revenue come from contributions from our funding agencies, the County, cities and special districts. Approximately two percent (2%) of the revenue is generated through bank and investment interest. The remaining two percent (2%) is generated through application fees and project reimbursements from applicants.

Although LAFCO converted to a "time and materials" fee schedule in July 2005, very little agency revenue is generated from application fees. This trend is indicative of the changing nature and the type of applications being processed by Orange County LAFCO. The days of large annexations and incorporations within Orange County are, for the most part, behind us. The majority of the applications OCLAFCO processes today are related to Commission-initiated municipal service reviews and sphere of influence updates - projects for which staff time and materials are not reimbursable.



The proposed FY 2006-2007 LAFCO budget identifies expenditures totaling \$1,045,982. Of this amount, \$38,000 is paid through application fees, and interest earnings. The balance, \$1,045,982, is equally divided between the County, cities and special districts, each paying \$348,661. Staff, using the cost allocation formulas previously adopted by the Independent Special Districts of Orange County and the Orange County League of Cities, calculated individual city and special district contributions for the proposed FY 2006-2007 budget. City and special district contribution summaries are included in *Attachments 3 and 4*, respectively.

City Allocations

The cities' formula allocates individual city costs based on a formula using the size and population of a city. Large cities with significant populations, such as Anaheim, Irvine and Santa Ana, for example, pay a higher contribution than do smaller cities with less population. Cumulatively, the 34 cities will pay an increase of approximately \$20,000 over the FY 2005-2006 cities' contribution. This increase is spread out among the County's 34 cities. Individual city increases for FY 2006-2007 range from a \$52 increase for the City of Villa Park to approximately \$2,000 for the City of Irvine.

Special District Allocations

The special districts' allocation formula, originally adopted by the Independent Special Districts of Orange County (ISDOC) in 2001 and reaffirmed in August 2005, distinguishes between non-enterprise and enterprise special districts. Non-enterprise districts pay a fixed cost ranging from \$250 to \$2,000 annually. Allocations for non-enterprise districts are capped and do not increase.

The ISDOC formula for enterprise districts uses a tiered formula based on the districts' operating revenues as reported in the annual State Controller's Report. Districts are placed in one of five categories (A, B, C, D or E) based on the amount of their operating revenues. Each category pays a fixed percentage of the overall LAFCO special district allocation ranging from 1.7% for "A" districts to 10% for "E" districts (see *Table 2* below).

Table 2: Enterprise Special District Allocation Categories*

Category	Enterprise Special District Operating Revenues	% Contribution by Each District
A	Less than \$1 million	1.7
B	\$1million - \$5 million	3.7
C	\$5million - \$10 million	5.6
D	\$10 million - \$25 million	7.6
E	\$25 million +	10

**Per August 2005 ISDOC Allocation Formula*

Cumulatively, the 27 special districts will pay an increase of approximately \$20,000 over the FY 2005-2006 special districts' contributions. Individual special district allocations for FY 2006-2007 are listed on *Attachment 4*.

Trabuco Canyon and East Orange County Water Districts

Using the adopted ISDOC allocation formula, 2006-2007 increases in LAFCO contributions for enterprise special districts range from \$226 for "A" districts, \$411 for "B" districts, \$586 for "C" districts, \$771 for "C" districts and \$993 for "E" districts. Two districts, Trabuco Canyon Water District and East Orange Water District, however, will incur significant increases in LAFCO contributions for FY 2006-2007 over the prior fiscal year as indicated on *Table 3*, below.

Table 3: Trabuco Canyon and EOWD Contributions

DISTRICT	05/06 LAFCO Contribution	06/07 LAFCO Contribution	06/07 Increase
Trabuco Canyon Water District	\$16,541	\$23,510	\$6,969
East Orange County Water District	\$10,929	\$16,957	\$6,028

Operating revenues for Trabuco Canyon Water District, as reported in the State Controller's Report, exceeded \$10 million which moves the district from a "C" to a "D" category. Similarly, operating revenues for the East Orange County Water District exceeded \$5 million, moving the district from a "B" to a "C" category. Of the enterprise special districts, Trabuco Canyon and East Orange County Water Districts are the only two districts to move to a higher category from FY 2005-2006 to FY 2006-2007. This has resulted in these two districts paying a disproportionate share (65%) of the overall LAFCO special district allocation increase for FY 2006-2007. Shifts in district categories were not anticipated when ISDOC adopted their original allocation formula.

In allocating costs among special districts, Government Code Section 56381(c) states that "... it is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs." LAFCO staff has contacted both districts to determine if there were errors in the revenue amounts as reported by the State Controller. If the revenue amounts are correct, LAFCO will work with ISDOC to more equitably spread the 2006-2007 LAFCO costs among all of the enterprise special districts. Alternatives to the current formula are available, including:

- Maintaining the existing categories used in FY 2005-2006 for the enterprise special districts. This option would change the existing ISDOC formula so that adjustments to district categories are no longer tied to changes in district operating revenues, but could be made subject to periodic ISDOC review.
- Spreading special district costs according to the relative populations served by each district with a pre-determined cap on larger districts (e.g., MWDOC and OCWD) so no single district would pay a disproportionately large share of the costs. Government Code Section 56381(B) allows the use of an alternative method to distribute special district costs if that formula is approved by a majority of the agencies representing a majority of their combined populations. ISDOC did re-approve the current formula in 2005.

CONCLUSION

The proposed LAFCO budget for 2006-07 is consistent with the three-year budget adopted by the Commission in April 2005. It maintains existing staffing levels to carry out the Commission's work plan adopted in the January 2006 Strategic Plan and balances revenues and expenditures without relying on project reserves.

RECOMMENDATIONS

Staff recommends that the Commission:

1. Adopt the Draft FY 2006-2007 Local Agency Formation Commission budget, and direct the Executive Officer to distribute the proposed budget for review and comment to the Board of Supervisors, each city, the City Selection Committee, each independent special district and the Independent Special Districts of Orange County (ISDOC) Selection Committee.
2. Direct staff to work with the Independent Special Districts of Orange County (ISDOC), the Trabuco Canyon Water District and the East Orange County Water District to determine if agreement can be reached to redistribute LAFCO costs among the enterprise special districts for FY 2006-2007.
3. Direct staff to schedule a public hearing for consideration and adoption of the final FY 2006-2007 LAFCO budget at the May 10, 2006 Commission meeting.

Respectfully submitted,

JOYCE CROSTHWAITE
Executive Officer

CAROLYN EMERY
Project Manager

BOB ALDRICH
Assistant Executive Officer

Attachments:

1. Proposed LAFCO Budget for FY 06-07
2. Definitions of Budget Categories
3. Special District Cost Allocations for FY 06-07
4. City Cost Allocations for FY 06-07